

*In the opinion of Ice Miller, Indianapolis, Indiana ("Bond Counsel"), under existing laws, regulations, judicial decisions and rulings, interest on the Series 2003A Bonds (hereinafter defined) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Series 2003A Bonds (the "Code"), except for interest on any Series 2003A Bond for any period during which such Series 2003A Bond is owned by a person who is a "substantial user" of the Airport System (hereafter defined) or a "related person" as defined in Section 147(a) of the Code. Such exclusion is conditioned on continuing compliance with the Tax Covenants (hereinafter defined). The interest on the Series 2003A Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. In the opinion of Bond Counsel under existing laws, regulations, judicial decisions and rulings, interest on the Series 2003A Bonds is exempt from income taxation in the State of Indiana. See "TAX MATTERS" and APPENDIX C — "FORM OF APPROVING BOND COUNSEL OPINION" herein.*

**\$137,065,000**  
**THE INDIANAPOLIS LOCAL PUBLIC IMPROVEMENT BOND BANK BONDS**  
**SERIES 2003A (AMT)**  
**(Indianapolis Airport Authority Project)**

Dated: Date of Delivery

Due: January 1, as shown on the inside cover

The Indianapolis Local Public Improvement Bond Bank Bonds, Series 2003A (Indianapolis Airport Authority Project) (the "Series 2003A Bonds"), will be dated the date of delivery, and will bear interest from that date to their respective maturities in the amounts and at the rates set forth on the inside cover hereof. The Series 2003A Bonds are issuable only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Series 2003A Bonds will be made in book-entry-only form, in denominations of \$5,000 or any integral multiple thereof. Purchasers of beneficial interests in the Series 2003A Bonds (the "Beneficial Owners") will not receive physical delivery of certificates representing their interests in the Series 2003A Bonds. Interest on the Series 2003A Bonds is payable on January 1 and July 1 of each year, commencing July 1, 2003. Interest, together with the principal and redemption premium, if any, of the Series 2003A Bonds, will be paid directly to DTC by Bank One Trust Company, National Association, in Indianapolis, Indiana, as paying agent under the Indenture, as defined and described herein, so long as DTC or its nominee is the registered owner of the Series 2003A Bonds. The final disbursement of such payments to the Beneficial Owners of the Series 2003A Bonds will be the responsibility of DTC, the DTC Participants and the Indirect Participants, all as defined and more fully described in APPENDIX G — "BOOK-ENTRY-ONLY SYSTEM."

The scheduled payment of principal of and interest on the Series 2003A Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2003A Bonds by FINANCIAL SECURITY ASSURANCE INC. See APPENDIX H for the form of the policy and see "BOND INSURANCE" herein.



The Series 2003A Bonds are being issued by The Indianapolis Local Public Improvement Bond Bank (the "Bond Bank") for the principal purposes of providing funds to: (i) purchase the Indianapolis Airport Authority Airport Revenue Bonds, Series 2003A (the "2003 Authority Bonds") to be issued by the Indianapolis Airport Authority (the "Authority"); (ii) pay the costs of issuance of the Series 2003A Bonds and the 2003 Authority Bonds; and (iii) pay for certain program expenses of the Bond Bank. The proceeds of the 2003 Authority Bonds are expected to be used by the Authority to: (a) pay a portion of the costs of the Authority's 2001-2010 Capital Improvement Program for the Airport System (as defined herein), including capitalized interest; (b) repay the Authority's Subordinate Commercial Paper Notes in the outstanding principal amount of \$65,000,000 on or prior to February 1, 2003; and (c) fund a deposit to the Authority's 2003 Account of the Revenue Bond Reserve Fund. See "AUTHORITY PLAN OF FINANCING."

The Series 2003A Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein under the captions "THE SERIES 2003A BONDS—Mandatory Sinking Fund Redemption" and "—Optional Redemption."

The Series 2003A Bonds are limited obligations of the Bond Bank payable solely out of the revenues and funds of the Bond Bank pledged therefor under the Indenture, as more fully described herein, including payments received on the 2003 Authority Bonds. The 2003 Authority Bonds are special obligations of the Authority and are payable solely from and secured exclusively by a lien upon certain revenues of the Airport System administered by the Authority. The Series 2003A Bonds do not constitute a debt, liability, general obligation or loan of the credit of the State of Indiana (the "State") or any political subdivision thereof, including the City of Indianapolis, Indiana (the "City"), Marion County, Indiana (the "County"), the Bond Bank and the Authority, under the constitution and laws of the State or a pledge of the faith, credit and taxing power of the State or any political subdivision thereof, including the City, the County, the Bond Bank and the Authority. The sources of payment of, and security for, the Series 2003A Bonds are more fully described herein. The Bond Bank has no taxing power. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003A BONDS."

**A detailed maturity schedule for the Series 2003A Bonds is set forth on the inside cover of this Official Statement.**

**This cover page contains information for quick reference only and is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision, paying particular attention to the matters discussed under "BONDHOLDER RISKS."**

The Series 2003A Bonds are offered when, as and if issued by the Bond Bank and received by the Underwriters and subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of legality by Ice Miller, Indianapolis, Indiana, Bond Counsel. Ice Miller also serves as bond counsel to the Authority. Certain legal matters will be passed on for the Bond Bank by the Corporation Counsel for the City, for the Authority by its special counsel, Robert A. Duncan, and for the Underwriters by their counsel, Baker & Daniels, Indianapolis, Indiana. It is expected that the Series 2003A Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about January 28, 2003.

**LEHMAN BROTHERS**

**CITY SECURITIES CORPORATION**  
Banc One Capital Markets, Inc.  
NatCity Investments, Inc.

**SIEBERT BRANDFORD SHANK & CO., L.L.C.**  
Fifth Third Securities, Inc.  
SBK-Brooks Investment Corp.

January 16, 2003

## MATURITY SCHEDULE

The Series 2003A Bonds shall mature on January 1 in the year and in the principal amounts, and shall bear interest at the rates per annum, all as set forth below:

Year	Principal Amount	Interest Rate	Yield	CUSIP
2004	\$ 1,750,000	5.000%	1.500%	45528SAA4
2005	2,770,000	5.000%	1.900%	45528SAB2
2006	11,315,000	5.000%	2.400%	45528SAC0
2007	15,395,000	5.000%	2.850%	45528SAD8
2008	2,855,000	5.000%	3.280%	45528SAE6
2009	2,995,000	5.250%	3.650%	45528SAF3
2010	3,150,000	5.250%	3.930%	45528SAG1
2011	3,320,000	5.250%	4.140%	45528SAH9
2012	3,495,000	5.500%	4.310%	45528SAJ5
2013	3,685,000	5.500%	4.450%	45528SAK2
2014	3,890,000	5.625%	4.580% *	45528SAL0
2015	4,105,000	5.625%	4.700% *	45528SAM8
2016	4,340,000	5.625%	4.800% *	45528SAN6
2017	4,580,000	5.625%	4.880% *	45528SAP1
2018	4,835,000	4.625%	4.870%	45528SAQ9
2019	5,065,000	5.000%	5.000%	45528SAR7
2020	5,315,000	4.750%	4.990%	45528SAS5
2021	5,565,000	5.000%	5.050%	45528SAT3
2022	5,845,000	5.000%	5.080%	45528SAU0
2023	6,135,000	5.000%	5.125%	45528SAV8

\$12,565,000 5.000% Term Bonds due January 1, 2027, to yield 5.174% CUSIP 45528SAW6

\$24,095,000 5.000% Term Bonds due January 1, 2033, to yield 5.200% CUSIP 45528SAX4

\*Priced to par call on January 1, 2013.

No dealer, broker, salesperson or other person has been authorized by the Bond Bank, the Authority or the Underwriters to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Series 2003A Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2003A Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from sources which are believed to be reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there have been no changes in the information presented herein since the date hereof.

Other than with respect to information concerning Financial Security Assurance Inc. ("Financial Security") contained under the caption "BOND INSURANCE" and Appendix H – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY" herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Series 2003A Bonds; or (iii) the tax exempt status of the interest on the Series 2003A Bonds.

The Series 2003A Bonds have not been registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended. In making an investment decision, investors must rely on their own examination of the Bond Bank, the Authority, the Airport System and the terms of the offering, including the merit and risk involved.

Neither the Securities and Exchange Commission, any state securities commission nor any other regulatory authority has approved or disapproved of the Series 2003A Bonds or passed upon the adequacy or accuracy of this Official Statement. Any representation to the contrary is a criminal offense.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2003A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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# **THE INDIANAPOLIS LOCAL PUBLIC IMPROVEMENT BOND BANK**

## **BOARD OF DIRECTORS**

John J. Dillon, III, Chairperson  
Mary Titsworth Chandler, Vice Chairperson  
Jacob E. Hall  
Thomas J. O'Donnell  
Arnold Pinkston

\* \* \*

Robert J. Clifford, Executive Director  
Jennifer Weflen, Deputy Executive Director

## **INDIANAPOLIS AIRPORT AUTHORITY**

### **BOARD OF DIRECTORS**

Lacy M. Johnson, President  
H. Patrick Callahan, Vice President  
David E. Mansfield, Secretary  
N. Stuart Grauel, Member  
Robert H. Voorhies, Member  
Michael W. Wells, Member  
Steven Dillinger, Advisory Member  
Jack Morton, Advisory Member

### **AIRPORT CONSULTANT**

Leigh Fisher Associates

### **BOND COUNSEL**

Ice Miller

### **FINANCIAL ADVISOR**

First Albany Corporation

### **AUTHORITY TRUSTEE**

Bank One Trust Company, National Association

### **BOND BANK TRUSTEE**

Bank One Trust Company, National Association

## **OFFICIAL STATEMENT**

**\$137,065,000**

**The Indianapolis Local Public Improvement Bond Bank Bonds  
Series 2003A  
(Indianapolis Airport Authority Project)**

### **INTRODUCTION**

The purpose of this Official Statement, including the cover page, the inside cover page, the preliminary pages and appendices, is to set forth certain information concerning the issuance and sale by The Indianapolis Local Public Improvement Bond Bank (the “Bond Bank”) of its \$137,065,000 aggregate principal amount of Bonds, Series 2003A (Indianapolis Airport Authority Project) (the “Series 2003A Bonds”), to be issued by the Bond Bank. The Series 2003A Bonds are authorized by a resolution adopted by the Board of Directors of the Bond Bank on November 18, 2002, and are issued pursuant to the provisions of a Trust Indenture, dated as of January 1, 2003 (the “Indenture”), and the laws of the State of Indiana (the “State”), including particularly Indiana Code 5-1.4 (the “Act”). Bank One Trust Company, National Association, Indianapolis, Indiana, is the Trustee (the “Bond Bank Trustee”) and the Registrar and Paying Agent (“Registrar” or “Paying Agent”) under the Indenture.

#### **The Bond Bank and the Bond Bank Program**

The Bond Bank is a body corporate and politic, separate from the City of Indianapolis, Indiana (the “City”) and the Indianapolis Airport Authority (the “Authority”), established for the public purposes set forth in the Act. The Bond Bank has no taxing power. The Bond Bank is governed by a Board of five directors, each appointed by the Mayor of the City. Pursuant to the Act, the purpose of the Bond Bank is to buy and sell securities of “qualified entities,” defined in the Act to be the consolidated city (City of Indianapolis), the consolidated city’s county (Marion County), any special taxing district located wholly within Marion County, any entity whose tax levies are subject to review and modification by the city-county legislative body under Indiana Code 36-3-6-9 and any authority created under Indiana Code Title 36 that leases land or facilities to any of the foregoing qualified entities. The Authority is a qualified entity under the Act.

The proceeds from the sale of the Series 2003A Bonds will be used to provide funds to: (i) purchase the Indianapolis Airport Authority Airport Revenue Bonds, Series 2003A (the “2003 Authority Bonds”) to be issued by the Authority; (ii) pay costs of issuance of the Series 2003A Bonds and the 2003 Authority Bonds; and (iii) pay for certain program expenses of the Bond Bank.

#### **The Series 2003A Bonds**

Interest on the Series 2003A Bonds will accrue from the date of delivery thereof at the rates per annum set forth on the inside cover page hereof and will be payable on July 1, 2003, and semiannually on each January 1 and July 1 thereafter. The Series 2003A Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof. See “THE SERIES 2003A BONDS.”

The Series 2003A Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). Purchases of beneficial interests in the Series 2003A Bonds will be made in book-entry-only form. Purchasers of beneficial interests in the Series 2003A Bonds (the “Beneficial Owners”) will not receive physical delivery of certificates representing their interest in the Series 2003A Bonds. Interest on the Series 2003A Bonds, together with principal of the Series 2003A Bonds, will be paid by the Paying Agent directly to DTC, so long as DTC or its nominee is the registered owner of the Series 2003A Bonds. The final disbursement of such payments to Beneficial Owners of the Series 2003A Bonds will be the responsibility of the DTC Participants and Indirect Participants, all as defined and more fully described herein. See APPENDIX G — “BOOK-ENTRY-ONLY SYSTEM.”

The Series 2003A Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein under the captions “THE SERIES 2003A BONDS—Mandatory Sinking Fund Redemption” and “—Optional Redemption.”

### **Security and Sources of Payment for the Series 2003A Bonds**

The Series 2003A Bonds will be issued under and secured by the Indenture. The principal of and interest on any and all of the Series 2003A Bonds, together with any bonds that may be authorized and issued by the Bond Bank under the Indenture on a parity with the Series 2003A Bonds (collectively, the “Bond Bank Bonds”), are payable from those revenues and funds of the Bond Bank which, together with the 2003 Authority Bonds, are pledged pursuant to the Indenture for the benefit of the owners of the Bond Bank Bonds without priority. Neither the faith, credit nor taxing power of the State or any political subdivision thereof, including the City, Marion County, Indiana (the “County”) and the Authority are pledged to the payment of the principal of, premium, if any, and interest on any of the Bond Bank Bonds.

**The Bond Bank Bonds are not a debt, liability, loan of the credit or pledge of the faith and credit of the State or of any political subdivision thereof, including the City, the County and the Authority. The Bond Bank has no taxing power and has only those powers and sources of revenue set forth in the Act. The Bond Bank will not maintain a debt service reserve fund for the Bond Bank Bonds and the provisions of Indiana Code 5-1.4-5 regarding the Bond Bank’s obligation to request the City-County Council to replenish a debt service reserve do not apply to the Bond Bank Bonds. The Bond Bank Bonds are issued and secured separately from any other obligations issued by the Bond Bank.**

The Bond Bank Bonds are secured by the pledge of the Trust Estate established under the Indenture (the “Trust Estate”), defined to be all cash and securities in the funds and accounts established by the Indenture (except the Rebate Fund and accounts therein) and the investment earnings thereon and all proceeds thereof, and the 2003 Authority Bonds and the earnings thereon and the proceeds thereof. All Bond Bank Bonds will be secured equally and ratably by all of the foregoing. The sources of payment for the Bond Bank Bonds are further described under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003A BONDS.”

### **Bond Insurance**

The scheduled payment of principal of and interest on the Series 2003A Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2003A Bonds by Financial Security Assurance Inc. (“Financial Security” or the “Insurer”). See “BOND INSURANCE” herein for further information and APPENDIX H for the form of the policy. The Authority has made certain representations to the Insurer in connection with the Insurer agreeing to issue the insurance policy. These representations apply only to the Insurer for so long as the Insurer provides such policy.

### **The Authority and the 2003 Authority Bonds**

The Authority is a municipal corporation, separate from the City and the County, organized and existing under Indiana Code 8-22-3, as amended (the “Authority Act”), with the power to own and operate public airports. The Authority owns and operates the Indianapolis International Airport (the “Airport”) and the Downtown Heliport, Eagle Creek Airpark, Metropolitan Airport, Mt. Comfort Airport, Speedway Airport and Hendricks County Airport (collectively with the Airport, the “Airport System”). See “THE AUTHORITY” and “THE AIRPORT AND THE AIRPORT SYSTEM” for information concerning the Authority and its assets and operations.

The 2003 Authority Bonds are being issued under the Authority Act and pursuant to the Authority’s General Ordinance No. 6-1985, as amended and supplemented (the “Original Ordinance”), and as further supplemented by General Ordinance No. 3-2002 (the “2002 Supplemental Ordinance”) adopted by the Authority on December 20, 2002, which sets forth the terms of issuance of the 2003 Authority Bonds. The proceeds of the 2003 Authority Bonds are expected to be used by the Authority to (a) pay a portion of the costs of the Authority’s 2001-2010 Capital Improvement Program for the Airport System, including capitalized interest, (b) repay on or before February 1, 2003, the Authority’s Subordinate Commercial Paper Notes (the “Commercial Paper”) in the

outstanding principal amount of \$65,000,000, and (c) fund a deposit to the Authority's 2003 Account of the Revenue Bond Reserve Fund. See "AUTHORITY PLAN OF FINANCING."

Under the Original Ordinance, the Authority has issued \$341,110,000 aggregate principal amount of its revenue bonds, \$94,505,000 aggregate principal amount of which remain outstanding as of January 2, 2003, including its (a) Refunding Revenue Bonds, Series 1996A (the "1996 Bonds") and (b) Refunding Revenue Bonds, Series 1998A (the "1998 Bonds"). The 2003 Authority Bonds are to be secured by a pledge of the Net Revenues on parity with the 1996 Bonds, the 1998 Bonds and any additional revenue bonds issued by the Authority under the Authority Act (together with the 2003 Authority Bonds, the "Authority Revenue Bonds").

On December 20, 2002, the Authority adopted General Ordinance No. 4-2002 (the "Amended and Restated Ordinance") which amends and restates the Original Ordinance. The Amended and Restated Ordinance will become effective upon the Authority's receipt of consent from the owners of at least a majority of outstanding Authority Revenue Bonds. Upon purchase of the 2003 Authority Bonds by the Bond Bank, the Bond Bank will consent and be deemed to have consented to the amendments set forth in the Amended and Restated Ordinance. Accordingly, upon issuance of the 2003 Authority Bonds, more than a majority of holders of outstanding Authority Revenue Bonds will have consented to such amendments and the Amended and Restated Ordinance will become effective. The Original Ordinance, as supplemented by the 2002 Supplemental Ordinance and as amended and restated by the Amended and Restated Ordinance, is referred to in this Official Statement as the "Ordinance." APPENDIX D — "SUMMARY OF ORDINANCE" summarizes the provisions of the Ordinance. By purchasing the Series 2003A Bonds, the owners of the Series 2003A Bonds will have irrevocably consented to the Bond Bank's consent to the amendments set forth in the Amended and Restated Ordinance.

The 2003 Authority Bonds are special limited obligations of the Authority payable solely from and secured exclusively by a lien upon certain revenues of the Airport System administered by the Authority, including Net Revenues (as defined herein) and monies in certain funds established under the Ordinance, and neither the Authority nor the Board of the Authority (the "Authority Board"), nor any of its officers, agents or employees, is under any obligation to pay the 2003 Authority Bonds except from those revenues and monies. The 2003 Authority Bonds, and interest on the 2003 Authority Bonds, are not a debt or a general obligation of the Authority, the Authority Board, the Bond Bank, the County, the City or the State, nor a charge, a lien or an encumbrance, legal or equitable, upon property of the Authority or the Authority Board or upon income, receipts or revenues of the Authority or the Authority Board, other than those revenues and monies that have been specifically pledged to the payment of the 2003 Authority Bonds. The 2003 Authority Bonds are not payable from funds raised or to be raised by taxation. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003A BONDS."

### **Recent Events Affecting the Air Transportation Industry**

On September 11, 2001, terrorists hijacked aircraft from three airports and attacked several sites in the United States. The Airport, like all major airports in the United States, has been adversely affected by the terrorist attacks and their subsequent impact on the air transportation industry. The Airport has experienced increased operating costs due in large part to compliance with expanded federally mandated and other security and operating requirements. At the same time, declines have been experienced in aviation activity and enplaned passenger traffic, as well as in activity-based revenues consisting primarily of landing fees, passenger facility charges, concession revenue and parking revenue. See "AIRPORT FINANCIAL INFORMATION." The impact of the events of September 11, 2001, and other key factors affecting future aviation activity and enplaned passenger traffic at the Airport are discussed in greater detail throughout this Official Statement. See particularly, "RECENT EVENTS AFFECTING THE AIR TRANSPORTATION INDUSTRY AND THE AIRPORT SYSTEM," "BONDHOLDER RISKS," and APPENDIX A — "REPORT OF THE AIRPORT CONSULTANT."

### **The Capital Improvement Program**

With a portion of the proceeds of the 2003 Authority Bonds, the Authority intends to fund various capital projects at the Airport and within the Airport System which are included in the Authority's 2001-2010 Capital Improvement Program (the "2001-2010 CIP"). The 2001-2010 CIP contemplates \$1.4 billion (in inflated dollars) in capital improvements, including the acquisition, development, construction and implementation of a new midfield terminal at the Airport and related infrastructure projects (the "Midfield Terminal Program"). These capital

improvements are necessary to expand, develop and maintain the Airport System. The Authority reviews, updates and revises the 2001-2010 CIP at least annually. See “CAPITAL IMPROVEMENT PROGRAM.”

The Authority expects to incur additional debt, including additional Authority Revenue Bonds, to finance a portion of the remainder of the 2001-2010 CIP, some or all of which will be on a parity with the 2003 Authority Bonds.

### **Report of the Airport Consultant**

Leigh Fisher Associates (the “Airport Consultant”) has been retained by the Authority as its Airport Consultant and in such capacity has prepared the Report of the Airport Consultant dated January 2, 2003 (the “Report of the Airport Consultant”) included herein as APPENDIX A. The Report of the Airport Consultant presents certain airline traffic and financial forecasts for calendar years (each a “Fiscal Year”) 2003 through 2010, including the assumptions upon which the forecasts are based. See also “REPORT OF THE AIRPORT CONSULTANT” for a discussion of preliminary information regarding enplanements at the Airport for November 2002 (not included in the Report of the Airport Consultant) which show fewer enplanements than originally estimated, and the impact on certain assumptions regarding growth in enplanements in the early years of the forecast period, as set forth in the Report of the Airport Consultant. The Report of the Airport Consultant should be read in its entirety for an understanding of the assumptions and rationale underlying the financial forecasts contained therein. See also “BONDHOLDERS RISKS—Assumptions in the Report of the Airport Consultant,” “—Forward-Looking Statements,” “THE AIRPORT AND THE AIRPORT SYSTEM” and “CAPITAL IMPROVEMENT PROGRAM.”

### **Bondholder Risks**

The Series 2003A Bonds may not be suitable for all investors. Prospective purchasers of the Series 2003A Bonds should read this entire Official Statement including information under the section “BONDHOLDER RISKS.”

### **The Official Statement; Additional Information**

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The information contained in this Introduction is qualified by reference to this entire Official Statement (including the cover page, the inside cover page, the preliminary pages and the appendices). This Introduction is only a brief description and a full review should be made of this entire Official Statement (including the appendices), as well as the documents summarized or described in this Official Statement. The summaries of and references to all documents, statutes and other instruments referred to in this Official Statement do not purport to be complete and are qualified in their entirety by reference to the full text of each such document, statute or instrument.

Information contained in this Official Statement with respect to the Bond Bank and the Authority, and copies of the Indenture and the Ordinance, may be obtained from The Indianapolis Local Public Improvement Bond Bank, 200 East Washington Street, Room 2421, City-County Building, Indianapolis, Indiana 46204. The Bond Bank’s telephone number is (317) 327-4078.

## **RECENT EVENTS AFFECTING THE AIR TRANSPORTATION INDUSTRY AND THE AIRPORT SYSTEM**

As a result of terrorist attacks that occurred in the United States on September 11, 2001, the North American transportation system was significantly disrupted, leading to a temporary suspension of air travel in the United States and Canada. Many airlines, including carriers at the Airport, have reduced operations and furloughed employees in response to reduced passenger demand following these incidents. In addition, the Federal Aviation Administration (the “FAA”) and the newly created Transportation Security Administration (“TSA”) thereafter instituted numerous safety and security measures for all U.S. airports, including the Airport, which included, but



were not limited to, prohibiting unticketed persons beyond security checkpoints, enhancing the search and security check of all passengers and baggage, and restricting the parking of vehicles near terminals. Congress also enacted legislation to address the financial impact of these attacks on the airline industry, to limit the liability of airports and to strengthen aviation security.

The events of September 11, 2001 have had a profound effect on the entire airline travel industry, including the Airport. Since September 11, 2001, the Authority, like many other airport operators, has experienced increased operating costs due to compliance with federally mandated and other security and operating requirements. The Authority estimates that additional operating costs required to meet new security requirements for 2002 will be approximately \$5 million (gross costs) and in excess of \$6 million (gross costs) annually thereafter. Operating grants in the amount of \$1.2 million helped offset a portion of the additional 2002 security costs, while operating grants of approximately \$700,000 annually are anticipated thereafter. The ability to reduce these incremental operating costs within the current terminal facility will be driven by technological or other solutions deemed acceptable by the TSA, and cannot be quantified or determined at the present time. The Airport has also experienced declines in aviation activity and enplanements, as well as in activity-based revenues consisting primarily of landing fees, PFCs (as defined herein), concession revenue, rental car revenue and parking revenue.

Enplanements at the Airport for the first eight months of 2001 were 2,598,000, which was a 0.3% increase from the same period in 2000. This increase was less than the historical average because of a slowing national economy. After September 11, 2001, most airlines instituted system-wide reductions in scheduled flights in response to the significant reduction in passenger demand immediately following the attacks. Enplanements for the months of September through December 2001 were 20.5% lower than for the same four month period in 2000, as compared to 22.2% lower for the same period nationwide. Through the first ten months of 2002, the number of enplaned passengers at the Airport declined 7.2% from the same period in 2001, compared to a similar nationwide decline of 6.6%. See APPENDIX A — “REPORT OF THE AIRPORT CONSULTANT” for the monthly trends in the recovery of the number of enplaned passengers at the Airport since September 11, 2001 and “REPORT OF THE AIRPORT CONSULTANT” for a discussion of the preliminary information regarding enplanements at the Airport for November 2002 (not included in the Report of the Airport Consultant) which show fewer enplanements than originally estimated, and the impact on certain assumptions regarding growth in enplanements in the early years of the forecast period, as set forth in the Report of the Airport Consultant. See also, “AIRPORT FINANCIAL INFORMATION” for a discussion of the impact of the events of September 11, 2001 on operating revenues and expenses for the first nine months of 2002.

On September 22, 2001, President Bush signed into law the Air Transportation Safety and System Stabilization Act (the “Stabilization Act”), which for all U.S. airlines and air cargo carriers provided for, among other things: (1) \$5 billion in compensation for direct losses (including lost revenues) incurred as a result of the federal ground stop order imposed by the FAA on September 11, 2001, prohibiting all flights to, from and within the United States until September 13, 2001, and for incremental losses incurred through December 31, 2001, as a direct result of the attacks; (2) subject to certain conditions, the availability of up to \$10 billion in federal government guarantees of certain loans made to air carriers for which credit is not reasonably available as determined by a newly established Air Transportation Stabilization Board (the “ATSB”); (3) at the discretion of the Secretary of Transportation, a \$100 million limit on the liability of any air carrier to third parties with respect to acts of terrorism committed on or to such air carrier during the 180-day period following the enactment of the Stabilization Act (now expired); (4) the extension of the due date for the payment by air carriers of certain excise taxes; and (5) compensation to individual claimants who were physically injured or killed as a result of the terrorist attacks on September 11, 2001. The Stabilization Act further provides that, notwithstanding any other provisions of law, liability for all claims, whether compensatory or punitive, arising from the terrorist-related events of September 11, 2001, against any air carrier shall not exceed the liability coverage maintained by the air carrier.

Several airlines, including some of the airlines operating at the Airport, have applied for federal loan guarantees. In January 2002, America West Airlines received approval for approximately \$380 million in federal loan guarantees, which allowed them to close a term loan in the amount of \$429 million. American Trans Air (“ATA”) received approval for a \$148.5 million loan guarantee on a \$168 million loan which was funded in November 2002. U.S. Airways has received conditional approval from the ATSB for a \$900 million loan guarantee under the Stabilization Act in connection with a proposed \$1 billion loan financing, and Frontier Airlines received conditional approval from the ATSB for a \$63 million loan guarantee of a \$70 million commercial loan facility.

However, no assurance can be given that conditions will be satisfied in order for such loan guarantees to be implemented. On December 4, 2002, the ATSB rejected United Airlines' request for a \$1.8 billion loan guarantee.

In addition, the Aviation and Transportation Security Act (the "ATSA") was enacted in November 2001. The ATSA created a new federal agency, the TSA, which is part of the U.S. Department of Transportation and is responsible for the security of all modes of public transportation, including aviation security. Among other things, the ATSA mandates that the TSA provide for the screening of passengers and property, including U.S. mail, cargo, carry-on and checked baggage and other articles that will be carried aboard a passenger aircraft. The TSA also provides for increased security on flight decks of aircraft and requires federal air marshals to be present on certain flights.

The TSA assumed most passenger screening functions in February 2002, largely by contracting with private sector security providers. Further, the TSA was required to have its own federal employees in place to perform these functions by November 2002. On September 17, 2002, TSA federal employees began performing passenger screening functions at the Airport. To comply with the checked baggage screening requirements, all checked baggage must either be screened by explosive detection systems or another manner, such as positive bag match, manual search, canine explosive detection or other approved means. Moreover, the ATSA required that by December 31, 2002, sufficient explosive detection systems be deployed at airports in the United States to screen all checked baggage. Sufficient explosive detection systems were deployed at the Airport in advance of the December 31 deadline. The cost of such systems will be borne by the TSA and the airlines. Additionally, in September 2002, the Authority received an FAA AIP (as defined herein) grant to fund up to \$7.1 million of the estimated \$8.6 million total costs of the structural modifications to the existing terminal facilities necessary to accommodate the checked baggage screening systems.

Effective February 1, 2002, the ATSA imposed a \$2.50 per enplanement security fee (\$5 one-way maximum fee) which is collected by air carriers and remitted to the federal government to pay for the enhanced security measures and other costs of the TSA. In addition, based upon the TSA's determination that the passenger fee was insufficient to fund such costs, a fee was imposed by the TSA on the air carriers to fund the shortfall. This fee, designated as the Aviation Infrastructure Security Fee, was imposed on air carriers by the TSA effective February 18, 2002.

Reductions in operating levels at the Airport from those which existed prior to September 11, 2001 may continue for a period of time and to a degree that is uncertain. The future level of aviation activity and enplaned passenger traffic at the Airport will depend on several factors directly and indirectly related to the events of September 11, 2001, including, among others, the financial condition of individual airlines and viability of continued service. A number of airlines were experiencing economic difficulties prior to September 11, 2001. This situation was worsened by the events of September 11, 2001 and substantially all airlines have subsequently been downgraded by the rating agencies. Two airlines operating at the Airport, US Airways and UAL Corporation ("UAL"), the parent of United Airlines, have since filed for bankruptcy protection. "Indiana Government Authorities," including the Authority, are listed among those creditors holding the 20 largest unsecured claims against UAL. The claim of the Indiana Government Authorities represents a contingent contract claim relating to certain commitments to create new jobs by December 31, 2004 at United Airlines' Indianapolis Maintenance Center (the "Claim"). The Authority's interest in the contingent contract claim represents only an insubstantial portion of the Claim, and accordingly, the Authority has never expected to receive any significant amounts with respect to such contract claim. The Claim does not include any amounts currently due to the Authority. Although United Airlines currently is obligated to make certain ground rent payments, which constitute Gross Revenues, relating to the Indianapolis Maintenance Center, none of the contingent payment amounts from United Airlines that are part of the Claim have been included in any forecasts of Gross Revenues or Net Revenues in the Report of the Airport Consultant.

In response to decreased passenger demand and financial losses, most major airlines have reduced service and employment levels to control costs. Other key factors that are expected to affect future aviation activity and enplaned passenger traffic at the Airport are local, regional, national and international economic and political conditions, airline service and route networks, availability and price of aviation fuel, airline economics (including labor relations), airline bankruptcies, competition, airfares, airline industry consolidation, capacity of the national air

traffic control system and capacity provided at the Airport, among others. See APPENDIX A — “REPORT OF THE AIRPORT CONSULTANT.”

The Authority cannot predict the duration or extent of this reduction in air travel or the extent of the adverse impact on Net Revenues, passenger facility charge collections, passenger enplanements, operations or the financial condition of the Authority. All airlines, including US Airways and United Airlines, have remitted substantially all payments (except for certain non-material amounts owed at the time the bankruptcy petitions were filed that are subject to pending bankruptcy proceedings) due to the Authority under the Airline Agreements (as defined herein) and, although from time to time certain airlines may have balances as much as 60 days past due, as of the date of this Official Statement substantially all airlines are current on their payment obligations to the Authority. However, the Authority cannot predict nor can it give any assurance that the airlines serving the Airport will continue to pay or to make timely payment of their obligations under the Airline Agreements. In addition, the Authority cannot predict what the impact is likely to be on any of the airlines operating at the Airport, or the potential that these incidents or the reduction in activity may cause airlines to file for bankruptcy protection. Further, the Authority cannot predict the likelihood of future incidents similar to the events of September 11, 2001, the likelihood of future air transportation disruptions or the impact on the Airport or the airlines from such incidents or disruptions. See “BONDHOLDER’S RISKS.”

### **AUTHORITY PLAN OF FINANCING**

The Authority is issuing its 2003 Authority Bonds as part of its ongoing program of financing capital improvements to the Airport System. The 2003 Authority Bonds represent the Authority’s first long-term financing for purposes of funding the costs of the 2001-2010 CIP, including the Midfield Terminal Program. In addition, through the issuance of the 2003 Authority Bonds, the Authority expects to achieve debt service savings through the indirect refunding of its Revenue Bonds of 1993 (the “1993 Bonds”). As part of the plan of finance associated with the issuance of the 2003 Authority Bonds, the Authority issued \$41,000,000 of Commercial Paper on November 27, 2002, which were used, along with other moneys on deposit under the Ordinance, to pay in full all of the outstanding 1993 Bonds on January 2, 2003. In turn, upon issuance of the 2003 Authority Bonds, the Authority will deposit a portion of the proceeds of the 2003 Authority Bonds with the Authority Trustee, and give written instructions providing for the repayment of all outstanding Commercial Paper in the principal amount of \$65,000,000 on or before February 1, 2003. The portion of the Commercial Paper not used to refund the 1993 Bonds was used for previous capital improvements at the Airport not included in the 2001-2010 CIP.

Additional proceeds of the 2003 Authority Bonds and other funds of the Authority will be used to (i) fund certain capital improvements included in the 2001-2010 CIP, including capitalized interest, and (ii) fund the 2003 Account of the Revenue Bond Reserve Fund up to the 2003 Revenue Bond Reserve Requirement.

The proceeds of the 2003 Authority Bonds to be deposited in the Construction Account (as defined in the Ordinance) will be used to finance certain costs of the 2001-2010 CIP through 2003. The 2001-2010 CIP currently contemplates \$1.4 billion (in inflated dollars) in capital improvements, a major portion of which relates to the development of the Midfield Terminal Program. See “CAPITAL IMPROVEMENT PROGRAM.” The Authority currently anticipates the cost of the 2001-2010 CIP through 2003 to be \$233.8 million (which is exclusive of the costs of repaying currently outstanding Commercial Paper).

Pursuant to the Ordinance, the Authority intends to adopt a resolution on January 17, 2003 irrevocably designating approximately \$1,100,000 per year from 2003 through 2010 of passenger facility charges administered under Part 158 of the Federal Aviation Regulation to be collected by the airlines and remitted to the Authority (“PFCs”) as Designated Revenues (as defined in the Ordinance) to be used exclusively to pay debt service on Authority Revenue Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003A BONDS—Rate Covenant.” Although the Authority has received approval to collect PFC revenues, the Authority currently does not have use approval from the FAA to apply a portion of the PFC revenues it collects toward payment of certain capital projects in the 2001-2010 CIP to be funded with the 2003 Authority Bonds, including the Midfield Terminal Program. The Authority is preparing its application to the FAA seeking approval of the use of PFC revenues for such purposes and expects to receive such approval. However, there is no assurance that the use approval will be received or will be received in a timely manner.

The Authority expects that additional Authority Revenue Bonds, together with state and federal grants, PFC revenues and other available Authority funds will be used to pay the remaining costs of the 2001-2010 CIP, including costs of completing the Midfield Terminal Program. See “CAPITAL IMPROVEMENT PROGRAM” and APPENDIX A — “REPORT OF THE AIRPORT CONSULTANT.”

### **Estimated Sources and Uses of Funds**

The following table sets forth the estimated sources and uses of the proceeds of the 2003 Authority Bonds and certain other available funds:

#### **SOURCES:**

Par amount of 2003 Authority Bonds	\$137,065,000
Net Original Issue Premium	3,531,750
Less Discount <sup>(1)</sup>	<u>(3,357,265)</u>
Total Sources	<u>\$137,239,485</u>

#### **USES:**

Repayment of Subordinate Commercial Paper Notes <sup>(2)</sup>	\$ 65,000,000
Deposit to 2003 Capitalized Interest Account <sup>(3)</sup>	5,922,606
Deposit to 2003 Construction Account <sup>(4)</sup>	56,397,256
Deposit to 2003 Account of Revenue Bond Reserve Fund	<u>9,919,623</u>
Total	<u>\$137,239,485</u>

<sup>(1)</sup> This amount represents a pass through of the underwriters’ discount relating to the Series 2003A Bonds and other costs of issuance relating to the Bond Bank’s issuance of the Series 2003A Bonds and the issuance of the 2003 Authority Bonds, including the bond insurance premium.

<sup>(2)</sup> Includes \$41 million for the repayment of Commercial Paper issued on November 27, 2002, which were used, along with other moneys on deposit under the Ordinance, to pay in full all of the outstanding 1993 Bonds on January 2, 2003.

<sup>(3)</sup> Estimated interest on a portion of the 2003 Authority Bonds through January 1, 2006.

<sup>(4)</sup> Proceeds of the 2003 Authority Bonds deposited to the 2003 Construction Account will provide for payment of a portion of the costs of the 2001-2010 CIP through 2003. The remainder of such costs will be paid for with state and federal grants, PFC revenues, and other available Authority funds.

## Revenue Bond Debt Service Requirements

The following table sets forth the Debt Service Requirements (as defined in the Ordinance) on the outstanding Authority Revenue Bonds.

Fiscal Year Ended December 31	Outstanding Authority Revenue Bonds	2003 Authority Bonds		Total Debt Service Requirements
	Principal or Sinking Fund Installment and Interest <sup>(1)</sup>	Principal or Sinking Fund Installment	Interest	
2003	\$ 21,189,639	\$ 1,750,000	\$ 6,463,079	\$ 29,402,718
2004	21,182,008	2,770,000	6,899,613	30,851,620
2005	21,174,439	11,315,000	6,761,113	39,250,551
2006	5,500,670	15,395,000	6,195,363	27,091,033
2007	5,500,299	2,855,000	5,425,613	13,780,911
2008	5,497,328	2,995,000	5,282,863	13,775,190
2009	5,496,109	3,150,000	5,125,625	13,771,734
2010	5,487,320	3,320,000	4,960,250	13,767,570
2011	5,470,060	3,495,000	4,785,950	13,751,010
2012	5,474,780	3,685,000	4,593,725	13,753,505
2013	5,460,640	3,890,000	4,391,050	13,741,690
2014	5,452,220	4,105,000	4,172,238	13,729,458
2015	5,448,400	4,340,000	3,941,331	13,729,731
2016		4,580,000	3,697,206	8,277,206
2017		4,835,000	3,439,581	8,274,581
2018		5,065,000	3,215,963	8,280,963
2019		5,315,000	2,962,713	8,277,713
2020		5,565,000	2,710,250	8,275,250
2021		5,845,000	2,432,000	8,277,000
2022		6,135,000	2,139,750	8,274,750
2023		2,915,000	1,833,000	4,748,000
2024		3,060,000	1,687,250	4,747,250
2025		3,215,000	1,534,250	4,749,250
2026		3,375,000	1,373,500	4,748,500
2027		3,540,000	1,204,750	4,744,750
2028		3,725,000	1,027,750	4,752,750
2029		3,905,000	841,500	4,746,500
2030		4,100,000	646,250	4,746,250
2031		4,305,000	441,250	4,746,250
2032		4,520,000	226,000	4,746,000
Total	\$ 118,333,912	\$ 137,065,000	\$ 100,410,776	\$ 355,809,684

SOURCE: Indianapolis Airport Authority.

<sup>(1)</sup> Amounts due January 1 are shown as debt service for the preceding Fiscal Year ended December 31 (*i.e.*, the amounts actually required to be set aside in that Fiscal Year). For example, a debt service payment with regard to the 2003 Authority Bonds due on January 1, 2010, is shown in the Fiscal Year ended December 31, 2009.

## THE SERIES 2003A BONDS

### General Description

The Series 2003A Bonds are issuable as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Series 2003A Bonds will be dated as of the date of their delivery.

Interest on the Series 2003A Bonds will be payable on January 1 and July 1 of each year, commencing July 1, 2003 (each an “Interest Payment Date”). The Series 2003A Bonds will bear interest (calculated on the basis of twelve 30-day months for a 360-day year) at the rates and will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. Each Series 2003A Bond will bear interest from the Interest Payment Date next preceding the date on which it is authenticated unless it is (a) authenticated prior to the closing of business on June 15, in which event it will bear interest from the date of delivery, or (b) authenticated after the fifteenth day immediately preceding an Interest Payment Date (a “Record Date”), in which event it will bear interest from such Interest Payment Date; provided, however, that if, at the time of authentication of any Series 2003A Bond, interest is in default, such Series 2003A Bond will bear interest from the date to which interest has been paid.

When issued, all Series 2003A Bonds will be registered in the name of and held by Cede & Co., as nominee for DTC. Purchases of beneficial interests from DTC in the Series 2003A Bonds will be made in book-entry-only form (without certificates) in denominations of \$5,000 or any integral multiple thereof. So long as DTC or its nominee is the registered owner of the Series 2003A Bonds, payments of the principal of and interest on the Series 2003A Bonds will be made directly by the Paying Agent by wire transfer of funds to Cede & Co., as nominee for DTC. Disbursement of such payments to the participants of DTC (the “DTC Participants”) will be the sole responsibility of DTC, and the ultimate disbursement of such payments to the Beneficial Owners of the Series 2003A Bonds will be the responsibility of the DTC Participants and the Indirect Participants, as defined herein. See APPENDIX G — “BOOK-ENTRY-ONLY SYSTEM.”

If DTC or its nominee is not the registered owner of the Series 2003A Bonds, principal of and premium, if any, on all of the Series 2003A Bonds will be payable at maturity upon the surrender thereof at the delivery office of the Paying Agent. Interest on the Series 2003A Bonds, when due and payable, will be paid by check dated the due date mailed by the Paying Agent one business day before the due date (or, in the case of an owner of Series 2003A Bonds in an aggregate principal amount of at least \$1,000,000, by wire transfer on such due date, upon written direction of such registered owner to the Paying Agent not less than five business days before the Record Date immediately prior to such Interest Payment Date, which direction shall remain in effect until revoked in writing by such owner). Interest payments shall be mailed to the persons in whose names such Series 2003A Bonds are registered, at their addresses as they appear on the bond registration books maintained by the Registrar on the Record Date, irrespective of any transfer or exchange of such Series 2003A Bonds subsequent to such Record Date and prior to such Interest Payment Date, unless the Bond Bank shall default in payment of interest due on such Interest Payment Date.

Except as provided in APPENDIX G — “BOOK-ENTRY-ONLY SYSTEM,” in all cases in which the privilege of exchanging or transferring Series 2003A Bonds is exercised, the Bond Bank will execute and the Registrar will deliver Series 2003A Bonds in accordance with the provisions of the Indenture. The Series 2003A Bonds will be exchanged or transferred at the designated corporate trust office of the Registrar only for Series 2003A Bonds of the same tenor and maturity. In connection with any transfer or exchange of Series 2003A Bonds, the Bond Bank, the Registrar and Paying Agent or the Bond Bank Trustee may impose a charge for any applicable tax, fee or other governmental charge incurred in connection with such transfer or exchange, which sums are payable by the person requesting such transfer or exchange.

The person in whose name a Series 2003A Bond is registered will be deemed and regarded as its absolute owner for all purposes, and payment of principal and interest thereon will be made only to or upon the order of the registered owner or its legal representative, but such registration may be changed as provided above. All such payments shall be valid to satisfy and discharge the liability upon such Series 2003A Bond to the extent of the sum or sums so paid.

## **Mandatory Sinking Fund Redemption**

The Series 2003A Bonds maturing January 1, 2027 (the “2027 Term Bonds”) and the Series 2003A Bonds maturing January 1, 2033 (the “2033 Term Bonds”) are subject to mandatory sinking fund redemption prior to maturity at the redemption price of 100% of the principal amount thereof, plus accrued interest to the date of redemption, and will be redeemed on January 1 of the respective years and in the respective principal amounts set forth below:

<u>2027 Term Bonds</u>	
<u>Year</u>	<u>Principal Amount</u>
2024	\$ 2,915,000
2025	3,060,000
2026	3,215,000
2027	3,375,000 *

<u>2033 Term Bonds</u>	
<u>Year</u>	<u>Principal Amount</u>
2028	\$ 3,540,000
2029	3,725,000
2030	3,905,000
2031	4,100,000
2032	4,305,000
2033	4,520,000 *

\*Final maturity

## **Optional Redemption**

The Series 2003A Bonds maturing on or after January 1, 2014 and on or before January 1, 2023 are subject to redemption prior to maturity in whole or in part on January 1, 2013, or at any time thereafter, at the redemption price of 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption. The 2027 Term Bonds and the 2033 Term Bonds are subject to redemption prior to maturity in whole or in part on January 1, 2010, or at any time thereafter, at the redemption price of 100% of the principal amount thereof plus accrued interest to the date fixed for redemption.

## **Selection of Bonds to be Redeemed**

If fewer than all of the Series 2003A Bonds shall be called for redemption, the principal amount and maturity of the particular Series 2003A Bonds to be redeemed shall be selected by the Bond Bank, provided that the Series 2003A Bonds shall be redeemed only in integral multiples of \$5,000 principal amount. If the Series 2003A Bonds are held in a book-entry-only system, the Series 2003A Bonds within a maturity to be redeemed shall be selected by the depository company in such manner as the depository company may determine. If the Series 2003A Bonds are not held in the book-entry-only system, the Registrar shall select the particular Series 2003A Bonds to be redeemed within a maturity by lot in such manner as the Registrar in its sole discretion may deem fair and appropriate. If any of the Series 2003A Bonds are simultaneously subject to both optional and mandatory redemption, the Bond Bank Trustee shall first select by lot the Series 2003A Bonds to be redeemed under the optional redemption provision.

## **Notice of Redemption**

In the case of redemption of the Series 2003A Bonds, notice of the call for any such redemption identifying the Series 2003A Bonds, or portions of fully registered Series 2003A Bonds, to be redeemed shall be given by the Registrar by mailing a copy of the redemption notice by first class mail at least 30 days but not more than 45 days

prior to the date fixed for redemption to the registered owner of each Series 2003A Bond to be redeemed at the address shown on the registration books. Any notice of redemption given by the Registrar shall state that it shall be cancelled by the Bond Bank Trustee if the moneys required to effect such redemption have not been received by (or are not on hand with) the Bond Bank Trustee on the second business day prior to the redemption date. Failure to give such notice by mailing to any bondholder, or any defect in the notice, shall not affect the validity of any proceeding for the redemption of any other Series 2003A Bonds. On and after the redemption date specified in the aforementioned notices, such Series 2003A Bonds, or portions thereof, thus called (provided funds for their redemption are on deposit at the place of payment) shall not bear interest, shall no longer be protected by the Indenture and shall not be deemed to be outstanding under the provisions of the Indenture, and the owners thereof shall have the right only to receive the redemption price thereof plus accrued interest thereon to the date fixed for redemption from the funds deposited with the Bond Bank Trustee for the redemption of such Series 2003A Bonds.

## SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003A BONDS

### General

The Bond Bank Bonds, including the Series 2003A Bonds, are payable only out of the Trust Estate described below. The Indenture creates a continuing pledge of and lien upon the Trust Estate to secure the full and final payment of the principal of, premium, if any, and interest on all of the Bond Bank Bonds. **The Series 2003A Bonds do not constitute a debt, liability or loan of the credit of the State or any political subdivision thereof, including the City, the County, the Bond Bank and the Authority, under the constitution and law of the State or a pledge of the faith, credit or taxing power of the State or any political subdivision thereof, including the City, the County, the Bond Bank and the Authority. The Bond Bank has no taxing power.** The sources of payment of, and security for, the Bond Bank Bonds are more fully described below.

Under the Indenture, the Series 2003A Bonds are secured by a pledge to the Bond Bank Trustee of the 2003 Authority Bonds and all principal and interest payments made or required to be made on the 2003 Authority Bonds (the "Authority Bond Payments"), as described herein. In addition, the Indenture pledges to the payment of the Bond Bank Bonds all proceeds of the Trust Estate, including without limitation all cash and securities held in the funds and accounts created by the Indenture, except for the Rebate Fund and the accounts thereunder, together with investment earnings thereon and proceeds thereof (except to the extent transferred to the Rebate Fund from such funds and accounts under the Indenture), and all other funds, accounts and moneys to be pledged by the Bond Bank to the Bond Bank Trustee as security under the Indenture, to the extent of any such pledge. Under the Act and Indiana Code 5-1-14-4, such pledge is valid and binding from and after the date of delivery of the Series 2003A Bonds under the Indenture and the 2003 Authority Bonds and the Authority Bond Payments thereon shall be immediately subject to the lien of such pledge without any physical delivery of the payments or further act, and the lien of such pledge is valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Bond Bank, irrespective of whether such parties have notice thereof.

As owner of the 2003 Authority Bonds, the Bond Bank has available to it all remedies available to owners or holders of securities issued by qualified entities. The Act provides that upon the sale and the delivery of any qualified obligation (such as the 2003 Authority Bonds) to the Bond Bank, a qualified entity (such as the Authority) will be deemed to have agreed that all statutory defenses to nonpayment are waived if such qualified entity fails to pay principal of or interest on such qualified obligation when due. The Bond Bank will be constituted a holder or owner of securities that are in default. The Bond Bank is obligated under the Indenture to avail itself of all remedies and provisions of law applicable in the circumstances and the failure to exercise any right or remedy within a time or period provided by law may not, according to the Act, be raised as a defense by the defaulting Authority. The Bond Bank will monitor the compliance and consult regularly with the Authority with respect to its requirements under the 2003 Authority Bonds, including the making of Authority Bond Payments to the Bond Bank.

As owner of the 2003 Authority Bonds, the Bond Bank may consent to amendments to the Ordinance and other modifications of the 2003 Authority Bonds. However, the Bond Bank has agreed in the Indenture that it will not permit or agree to any material change in the 2003 Authority Bonds unless the Bond Bank supplies the Bond Bank Trustee with a cash flow certificate to the effect that, after such change, revenues expected to be received by the Bond Bank in each Fiscal Year, together with moneys expected to be held in the funds and accounts established



under the Indenture, will at least equal the debt service on all outstanding Bond Bank Bonds in each such Fiscal Year.

The Bond Bank has also determined to consult with the Authority, as necessary from time to time, with regard to the action needed to be taken by the Authority to preserve the exclusion of the interest on the Series 2003A Bonds from the gross income of the holders of the Series 2003A Bonds. See "TAX MATTERS."

### **2003 Authority Bonds**

The 2003 Authority Bonds are special obligations of the Authority which have been authorized by the Authority Board and are designated "Indianapolis Airport Authority Airport Revenue Bonds, Series 2003A." The 2003 Authority Bonds are issued under and secured by the Ordinance. The 2003 Authority Bonds are to be secured by a pledge of Net Revenues (as defined herein) on parity with the 1996 Bonds, the 1998 Bonds and any other Authority Revenue Bonds issued by the Authority under the Authority Act and the Ordinance.

The 2003 Authority Bonds will be issued in a principal amount equal to the aggregate principal amount of the Series 2003A Bonds, and will be dated as of their date of delivery. The 2003 Authority Bonds will mature in the same amount and on the same maturity dates as the Series 2003A Bonds, and will bear interest payable on each January 1 and July 1 beginning July 1, 2003 and at the same per annum interest rates as the Series 2003A Bonds. Interest on the 2003 Authority Bonds will be paid to the Bond Bank Trustee under the Indenture. Principal of, premium, if any, and interest on the 2003 Authority Bonds will be paid directly to the Bond Bank Trustee (for the account of the Bond Bank). The 2003 Authority Bonds are subject to redemption prior to maturity upon terms substantially identical to the terms of redemption of the Series 2003A Bonds. See "THE SERIES 2003A BONDS."

The 2003 Authority Bonds and interest on the 2003 Authority Bonds are not a debt or a general obligation of the Authority, the Authority Board, the Bond Bank, the County or the City nor a charge, a lien or an encumbrance, legal or equitable, upon property of the Authority or the Authority Board or upon income, receipts or revenues of the Authority or the Authority Board, other than those revenues that have been specifically pledged to the payment of the 2003 Authority Bonds. The 2003 Authority Bonds are not payable from funds raised or to be raised by taxation.

### **Pledge of Authority Net Revenues**

The 2003 Authority Bonds are special obligations of the Authority and are payable solely from and secured exclusively by a lien upon the Net Revenues and monies in the Revenue Bond Interest and Principal Fund, the 2003 Account of the Revenue Bond Reserve Fund and any Construction Fund established by the Ordinance. Neither the Authority nor the Authority Board is under any obligation to pay the 2003 Authority Bonds except from such revenues.

Net Revenues are (i) Gross Revenues (as defined herein) less (ii) Operation and Maintenance Expenses (as defined herein).

"Gross Revenues" consist of all revenues, income, accounts and general intangibles derived from the Airport System, together with all properties, facilities and services thereof and all additions, extensions, replacements and improvements thereto and all services provided by the Authority in connection therewith, including without limitation rents, charges, landing fees, user charges, revenues from concessionaires, ground rents from Special Purpose Facilities (as defined herein) and similar revenues, but excluding revenue from ad valorem taxes or payments in lieu of taxes, payments received on any investment swap, Federal Payments (as defined herein), PFC revenues and similar charges, grants-in-aid, gifts, investment income, bond or loan proceeds, proceeds from the sale of Airport System capital assets, revenues derived from the reversion of an interest in property following the expiration of a lease, Released Revenues (as defined in the Ordinance) and rental payments made for Special Purpose Facilities to provide for debt service and for an allocable portion of administrative costs for such facilities. "Special Purpose Facilities" are facilities which are leased from the Authority pursuant to which the lessee agrees to pay to the Authority rentals or fees sufficient to pay the principal and interest on bonds issued to pay the cost of construction of the Special Purpose Facility plus such further rentals or fees necessary to maintain all reserves or pay necessary administrative expenses required for Special Purpose Facilities. "Federal Payments" are

those funds received by the Airport System from the federal government or any agency thereof as payments for the use of any facilities or services of the Airport System, but excluding grants-in-aid and all mandated payments, including payments from the TSA. Federal Payments do not include PFC revenues or similar charges. See APPENDIX D — “SUMMARY OF ORDINANCE.”

The Authority intends to adopt one or more resolutions irrevocably designating a portion of PFC revenues from 2003 through 2010 as Dedicated Revenues (as defined in the Ordinance) to pay a portion of the debt service on Authority Revenue Bonds. Although such PFC revenues will not be pledged to secure the Authority Revenue Bonds, by such designation, the Authority will agree to hold such PFC revenues exclusively to pay a portion of the debt service on Authority Revenue Bonds to the extent allowed by law. See “—Rate Covenant.”

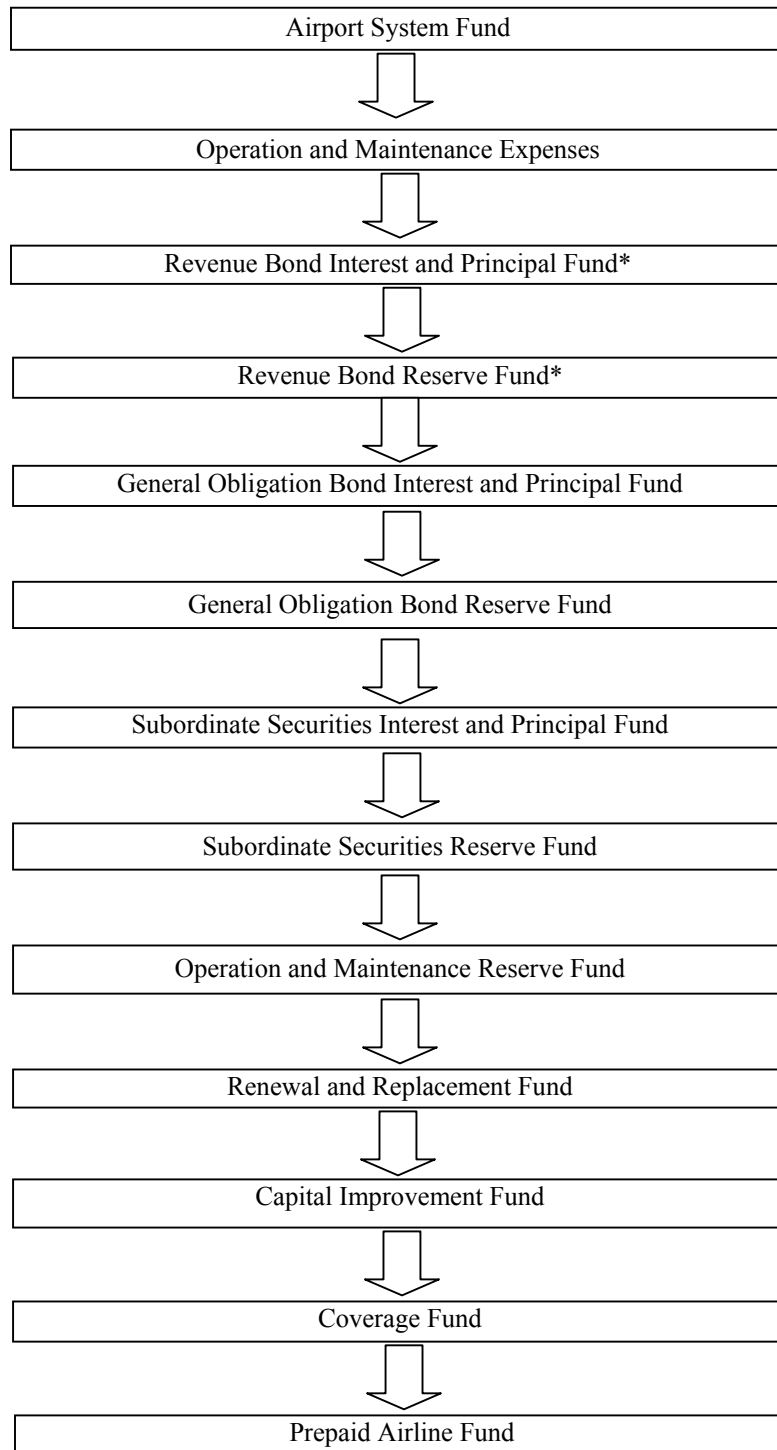
Further, the Authority may designate certain revenues (including revenues, fees, income and receipts that would otherwise be considered to be Gross Revenues) as “Released Revenues” by filing the required items with the Trustee, including either (i) an Accountant’s Certificate to the effect that Net Revenues excluding the revenues proposed to become Released Revenues, for each of the two latest Fiscal Years for which audited financial reports are available were equal to at least 135% of the Debt Service Requirement for each of such Fiscal Years; or (ii) a certificate of an Airport Consultant to the effect that based upon current knowledge of the operation of the Airport, Net Revenues, excluding the revenues proposed to become Released Revenues, for the current Fiscal Year will be equal to at least 135% of the Debt Service Requirement for such Fiscal Year. Upon filing of the required items, the Released Revenues will not be deposited in the Airport System Fund and will not be pledged as security for the Authority Revenue Bonds. See APPENDIX D — “SUMMARY OF ORDINANCE.”

“Operation and Maintenance Expenses” consist of the reasonable and necessary current expenses of the Authority paid or accrued in operating and maintaining the Airport System, including, but not limited to: (i) costs of collecting Gross Revenues and making refunds; (ii) engineering, audit reports, legal and administrative expenses; (iii) salaries, wages and other compensation; (iv) costs of routine repairs, replacements and renewals; (v) costs of utility services; (vi) general administrative overhead of the Authority; (vii) material and supplies used in the ordinary course of business; (viii) contractual and professional services; (ix) costs of insurance and fidelity bonds; (x) costs of carrying out provisions of the Ordinance; (xi) costs of any single item of \$100,000 or less (or such other lesser amount, if any, specified in the Airline Agreement) or which has a useful life of less than two years; and (xii) all other routine costs and expenses or costs and expenses required by law to be paid by the Authority. However, “Operation and Maintenance Expenses” do not include any allowance for depreciation or any debt service, and do not include any operation and maintenance expenses incurred in connection with Special Purpose Facilities which are reimbursed by the lessee thereof. See APPENDIX D — “SUMMARY OF ORDINANCE.”

### **Authority Funds and Accounts**

The application of Gross Revenues is governed by the provisions of the Ordinance. Capitalized terms used in this section that are not otherwise defined have the meanings set forth in the Ordinance. The Ordinance creates a special fund designated as the Airport System Fund which is held by the Authority, in which the Authority is required to set aside all Gross Revenues upon receipt by the Authority. Moneys held in the Airport System Fund are then applied and deposited into the funds and accounts established pursuant to the Ordinance, as illustrated in the chart below. Gross Revenues in the Airport System Fund are to be applied first to the payment of all current Operation and Maintenance Expenses and then to the Revenue Bond Interest and Principal Fund and Revenue Bond Reserve Fund in the amounts required by the Ordinance. Gross Revenues and Federal Payments remaining after the payment of Operation and Maintenance Expenses, debt service on all outstanding Authority Revenue Bonds, General Obligation Bonds and Subordinate Securities and other fund deposit requirements (including the Coverage Fund) are transferred to the Prepaid Airline Fund. See APPENDIX A — “REPORT OF THE AIRPORT CONSULTANT,” and APPENDIX D — “SUMMARY OF ORDINANCE.”

The following chart depicts the flow of funds under the Ordinance as described above:



\* Funds or Accounts held by the Authority Trustee.

Amounts in the Airport System Fund are not pledged to secure the Authority Revenue Bonds, and all current Operation and Maintenance Expenses of the Airport System are paid prior to making any deposits to the

Revenue Bond Interest and Principal Fund. Further, amounts deposited in the General Obligation Bond Interest and Principal Fund and the General Obligation Bond Reserve Fund, if any, are pledged solely for the purpose of securing General Obligation Bonds, if any, and amounts transferred to the Subordinate Securities Interest and Principal Fund and Subordinate Securities Reserve Fund, if any, are pledged solely to secure the Subordinate Securities, if any. Amounts in the Operation and Maintenance Reserve Fund may be used by the Authority to pay Operation and Maintenance Expenses for which amounts are not otherwise available in the Airport System Fund and to pay costs and expenses payable from the Renewal and Replacement Fund. Amounts in the Renewal and Replacement Fund may be used to pay for any extraordinary costs of replacing depreciable property and equipment of the Airport System and for making extraordinary repairs, replacements or renovations to the Airport System or to pay Operation and Maintenance Expenses for which insufficient amounts are available in the Airport System Fund. Amounts in the Capital Improvement Fund may be used for any lawful Airport System purpose, including without limitation, payment for capital improvements. Amounts in the Coverage Fund may be used for any lawful purpose of the Authority as set forth below. Amounts in the Prepaid Airline Fund may be used for any Airport System purpose deemed necessary by the Authority. Except for amounts in the Revenue Bond Interest and Principal Fund and the Revenue Bond Reserve Fund, no amounts in any other Funds and Accounts are pledged to secure the Authority Revenue Bonds. See APPENDIX D — “SUMMARY OF ORDINANCE.”

Pursuant to the Ordinance, the Authority may modify the flow of funds set forth above (except for the requirement to first pay Operation and Maintenance Expenses and then to fund the Revenue Bond Interest and Principal Fund and the Revenue Bond Reserve Fund) at any time without the consent of the Bond Bank (as the owner of the 2003 Authority Bonds), the Authority Trustee, the owners of the Series 2003A Bonds or the Bond Bank Trustee.

Pursuant to the Ordinance, the Authority has created a Coverage Fund. Gross Revenues deposited to the Airport System Fund and not needed for payment of Operation and Maintenance Expenses, or for deposit to the Revenue Bond Interest and Principal Fund, Revenue Bond Reserve Fund, General Obligation Bond Interest and Principal Fund, General Obligation Bond Reserve Fund, Subordinate Securities Interest and Principal Fund, Subordinate Securities Reserve Fund, Operation and Maintenance Reserve Fund, Renewal and Replacement Fund and Capital Improvement Fund, may be deposited in the Coverage Fund. Amounts in the Coverage Fund will be used for the purposes of establishing future coverage on outstanding Authority Revenue Bonds. In particular, for purposes of determining compliance with the Rate Covenant (as defined herein), amounts in the Coverage Fund, together with amounts in the Prepaid Airline Fund, will be added to Net Revenues for purposes of determining whether Net Revenues are equal to the greater of (a) amounts required to be deposited in such Fiscal Year to the Revenue Bond Interest and Principal Fund and the Revenue Bond Reserve Fund, or (b) an amount not less than 125% of the annual principal and interest due for all Authority Revenue Bonds. See “—Rate Covenant” and APPENDIX D — “SUMMARY OF ORDINANCE—Funds and Accounts.” Accordingly, to the extent that the Authority has amounts on deposit in the Coverage Fund, the Authority may establish rentals, rates, fees and other charges for the use of the Airport System that in any particular Fiscal Year do not provide sufficient Net Revenues (without regard to amounts on deposit in the Coverage Fund or in the Prepaid Airline Fund) to satisfy the coverage requirements set forth in the Rate Covenant.

### **Revenue Bond Reserve Fund**

The Authority is permitted to establish separate accounts within the Revenue Bond Reserve Fund for one or more series of Authority Revenue Bonds at any time. Each separate reserve fund account would be subject to the lien of only those particular series of Authority Revenue Bonds for which such account was created and pledged. In addition, the Authority may issue additional Authority Revenue Bonds which do not have a lien on the Revenue Bond Reserve Fund, and if such additional Authority Revenue Bonds are issued, the Authority would not take the debt service for such series of Authority Revenue Bonds into account for determining any Debt Service Reserve Requirement. Pursuant to the 2002 Supplemental Ordinance, the Authority has elected to establish an aggregate account within the Revenue Bond Reserve Fund for the Authority’s 1996 Bonds and 1998 Bonds securing the 1996 Bonds and the 1998 Bonds on a pro rata basis (the “Prior Bond Account”) and to establish a separate account within the Revenue Bond Reserve Fund securing, on a pro rata basis, the 2003 Authority Bonds and any Additional Authority Revenue Bonds as determined by the Authority (the “2003 Account”). The 2003 Account will not secure the 1996 Bonds and the 1998 Bonds; the Prior Bond Account will not secure the 2003 Authority Bonds; and amounts in the Prior Bond Account will not be available to pay debt service on the 2003 Authority Bonds. Upon the

issuance of future Authority Revenue Bonds under the Ordinance, the Authority may establish a separate reserve fund account securing such future Authority Revenue Bonds, may secure such future Authority Revenue Bonds with an existing reserve fund account, including the Prior Bonds Account or the 2003 Account, or may hold no reserve fund account to secure such bonds, all as provided in the supplemental bond ordinance authorizing such future Authority Revenue Bonds. The Authority may satisfy the Debt Service Reserve Requirement for any or all reserve fund accounts, in whole or in part, by the delivery to the Authority Trustee of a surety bond, an insurance policy or a letter of credit. See APPENDIX D — “SUMMARY OF ORDINANCE.”

In any month in which any account in the Revenue Bond Reserve Fund contains less than the respective Debt Service Reserve Requirement for the applicable Authority Revenue Bonds, then on or before the last business day of such month, after making all required payments and provisions for payment of Operation and Maintenance Expenses and after making all required transfers to the Revenue Bond Interest and Principal Fund, the Authority will transfer to such accounts on a pro rata basis an amount sufficient to reestablish the Debt Service Reserve Requirement for such Authority Revenue Bonds. After each Debt Service Reserve Requirement has been accumulated and for so long thereafter as each account of the Revenue Bond Reserve Fund contains such amount, no transfers will be required to be made to the Revenue Bond Reserve Fund. In the event and to the extent that moneys in the Revenue Bond Reserve Fund exceed the total of the combined Debt Service Reserve Requirements, such excess moneys will be transferred to the Capital Improvement Fund. Moneys in a particular account will be used to pay the principal of and interest only on the applicable Authority Revenue Bonds in the event and to the extent that available funds in the Revenue Bond Interest and Principal Fund are insufficient for such purpose, and such moneys may also be used to make the final payments for the retirement or defeasance of such Authority Revenue Bonds then outstanding to the extent the amount remaining in the particular account exceeds the Debt Service Reserve Requirement for the applicable Authority Revenue Bonds.

Additionally, if the Authority obtains an opinion of bond counsel that the applicable provisions of the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder, and any applicable successor to them, do not permit the use of proceeds of a particular series of Authority Revenue Bonds to fund the entire amount needed to meet the Debt Service Reserve Requirement for such Authority Revenue Bonds, then the Authority may, at its option, take up to 24 months to deposit the difference between the Debt Service Reserve Requirement for such Authority Revenue Bonds and the portion of such Debt Service Reserve Requirement that may be funded, in the opinion of bond counsel, by such Authority Revenue Bonds (the “Unfunded Portion”) into the applicable account, provided that on the first business day of each month of such period the Authority will deposit into the applicable account an amount equal to the monthly pro rata allocation of the Unfunded Portion until the Debt Service Reserve Requirement for such Authority Revenue Bonds is otherwise funded in full. The Authority expects to fully fund the 2003 Account from proceeds of the 2003 Authority Bonds.

### **Rate Covenant**

The Ordinance establishes a covenant of the Authority (the “Rate Covenant”) that the Authority will at all times fix, charge, impose and collect rentals, rates, fees and other charges for the use of the Airport System sufficient to provide Net Revenues, together with moneys on deposit in the Coverage Fund, for each Fiscal Year equal to the larger of (i) all amounts required to be deposited in such Fiscal Year into the Revenue Bond Interest and Principal Fund and the Revenue Bond Reserve Fund; or (ii) an amount equal to not less than 125% of the annual principal and interest due for all Authority Revenue Bonds for such Fiscal Year. For the purpose of complying with the Rate Covenant, the Authority will: include within Net Revenues in any Fiscal Year amounts transferred or credited from the Prepaid Airline Fund pursuant to the Ordinance; exclude from interest due on Authority Revenue Bonds any interest paid from moneys in the Capitalized Interest Account; include in such calculation moneys in the Coverage Fund; and exclude from the calculation debt service excluded from the Debt Service Requirement by reason of the dedication of Dedicated Revenues for payment of such debt service.

From time to time, the Authority may adopt an ordinance or resolution irrevocably designating certain revenues as Dedicated Revenues (which may include, without limitation, PFC revenues, state and/or federal grants, or other identified revenues) to be used to pay debt service on Authority Revenue Bonds. Although such Dedicated Revenues will not be pledged to secure the Authority Revenue Bonds, by such designation, the Authority will agree to hold and use such Dedicated Revenues exclusively for the payment of debt service on such Authority Revenue Bonds to the extent allowed by law. In such ordinance or resolution, the Authority will elect to exclude the debt

service on Authority Revenue Bonds in an amount equal to such Dedicated Revenues for purposes of determining compliance with the Rate Covenant and the requirements for issuance of additional Authority Revenue Bonds. See “—Additional Bonds.” In the event that the Authority adopts an ordinance or resolution irrevocably designating certain Dedicated Revenues as described above, the Authority will transfer such Dedicated Revenues into the Revenue Bond Interest and Principal Fund at such time as is necessary to pay debt service when due on such Authority Revenue Bonds.

Pursuant to the Ordinance, the Authority intends to adopt a resolution on January 17, 2003 irrevocably designating approximately \$1,100,000 per year from 2003 through 2010 in PFC revenues as Dedicated Revenues to be used exclusively to pay debt service on the Authority Revenue Bonds. However, as described above, such Dedicated Revenues are not pledged to secure the Authority Revenue Bonds and the application of PFC revenues to pay debt service on the Authority Revenue Bonds will be subject to applicable PFC regulations. Accordingly, the Authority intends to exclude principal of and interest on the Authority Revenue Bonds equal to such Dedicated Revenues for purposes of demonstrating debt service coverage under the Rate Covenant and the requirements for issuance of additional Authority Revenue Bonds. Although the Authority has received approval to collect PFCs, it is currently seeking use approval for a portion of the PFC revenues it collects to be applied toward payment of certain capital projects in the 2001-2010 CIP to be funded with the 2003 Authority Bonds, including the Midfield Terminal Program. The Authority is preparing its application to the FAA seeking approval of the use of PFC revenues for such purposes and expects to receive such approval in sufficient time to use such PFC revenues for payment of debt service due in 2003. However, there is no assurance that the use approval will be received or will be received in a timely manner.

The Airline Agreements (as defined herein) provide a mechanism for setting rates and charges for use of the Airport System based on an annual budget approved by the Authority which estimates sufficient amounts for, among other things, Operation and Maintenance Expenses, the Debt Service Requirement and debt service coverage. The Airline Agreements include a residual rate-making feature that is designed to ensure that the Authority’s debt service and related coverage obligations will be met. The Airline Agreements authorize the Authority to make rate adjustments in the event of a projected revenue shortfall. See “THE AIRPORT AND THE AIRPORT SYSTEM—Certain Authority Agreements—*Airline Agreements*” and “BONDHOLDER RISKS—Effect of Airline Bankruptcies.”

In the event that Net Revenues (after considering amounts in the Prepaid Airline Fund as described above), together with moneys on deposit in the Coverage Fund, in any Fiscal Year are insufficient to allow the Authority to satisfy the Rate Covenant, the Authority will be required under the Ordinance, promptly upon receipt of the annual audit for such Fiscal Year or upon earlier notice of a deficiency by the Treasurer of the Authority, to request an independent airport consultant or airport consulting firm appointed by the Authority to recommend actions to enable the Authority to secure additional funds for remedying such insufficiency, including revising the Authority’s rentals, rates, fees and other charges, reducing Operation and Maintenance Expenses or otherwise changing the method of operation of the Airport System in accordance with law. So long as the Authority substantially complies in a timely fashion with the recommendations of such airport consultant, the Authority will not be deemed to have defaulted in the performance of its duties under the Ordinance even if the resulting Net Revenues, together with moneys on deposit in the Coverage Fund, are not sufficient to be in compliance with the Rate Covenant, so long as there is no other default under the Ordinance.

### **Additional Bonds**

***Bond Bank.*** Additional bonds of the Bond Bank may be issued on a parity with the Series 2003A Bonds pursuant to the Indenture only for the purpose of (a) refunding (in whole or in part) bonds issued by the Bond Bank pursuant to the Indenture or (b) purchasing additional bonds of the Authority which are Authority Revenue Bonds under the Ordinance.

***Authority.*** The Ordinance provides that the Authority may issue, for any lawful Airport System purpose, one or more series of additional revenue bonds (“Additional Authority Bonds”), payable from and secured by a lien on Net Revenues on a parity with the 2003 Authority Bonds, the 1996 Bonds, the 1998 Bonds and any other Authority Revenue Bonds, upon satisfaction of the following conditions:

a) No Default. An Authorized Airport Representative must certify that, upon the issuance of such series of Additional Authority Bonds, the Authority will not be in default under any term or provision of any Authority Revenue Bonds then outstanding or any ordinance authorizing the issuance of such Authority Revenue Bonds;

b) Proper Fund Balances. An Authorized Airport Representative of the Authority must certify that, upon the issuance of such series of Additional Authority Bonds, (i) the Revenue Bond Interest and Principal Fund will contain the amounts required to be deposited therein and (ii) the account of the Revenue Bond Reserve Fund, if any, which is held for the benefit of such series of Additional Authority Bonds will contain the amounts required at such time to be on deposit therein;

c) Historical Coverage on Outstanding Authority Revenue Bonds. An Authorized Airport Representative of the Authority must certify that, either for the Authority's most recent complete Fiscal Year or for any consecutive 12 out of the most recent 18 months, Net Revenues, together with monies in the Coverage Fund, were equal to at least 125% of the Debt Service Requirement for all Authority Revenue Bonds for such period (without taking into account the Debt Service Requirement for the proposed Additional Authority Bonds);

d) Coverage for Additional Authority Bonds. The Authority must also submit to the Authority Trustee either of the following: (i) a certification by an Authorized Airport Representative of the Authority that, for either the Authority's most recent Fiscal Year or for any consecutive 12 months out of the most recent 18 months, the Net Revenues, together with monies in the Coverage Fund, were equal to at least 125% of the Debt Service Requirement for all outstanding Authority Revenue Bonds for such period, plus 125% of the maximum Debt Service Requirement of the proposed Additional Authority Bonds in any future Fiscal Year; or (ii) a report of an airport consultant setting forth projections indicating that the estimated Net Revenues for each of three consecutive Fiscal Years beginning on the earlier of (A) the first Fiscal Year following the estimated date of completion and initial use of any of the revenue producing facilities to be financed with such series of Additional Authority Bonds, based upon a certified, written estimated completion date by the consulting engineer for such facility or facilities, or (B) the first Fiscal Year in which the Authority will have any of scheduled payments of interest on or principal of the series of Additional Authority Bonds to be issued, for the payment of which provision has not been made as indicated in the report of such airport consultant from the proceeds of such series of Additional Authority Bonds, investment income thereon or other appropriated sources (other than Net Revenues) are, together with the moneys in the Coverage Fund, at least equal to 125% of the Debt Service Requirement for all Authority Revenue Bonds for such period scheduled to occur during each such respective Fiscal Year after taking into consideration the additional Debt Service Requirement for the series of Additional Authority Bonds to be issued; and

e) Bond Ordinance Requirement. The supplemental bond ordinance authorizing such series of Additional Authority Bonds must meet the applicable requirements set out in the Ordinance.

For all purposes of paragraph (d), (i) any principal or interest on Authority Revenue Bonds which is payable from Dedicated Revenues is excluded from the Debt Service Requirement for such Authority Revenue Bonds; (ii) any amount transferred or credited from the Prepaid Airline Fund to the Airport System Fund is included in Net Revenues for such Fiscal Year; and (iii) any interest due on Authority Revenue Bonds that is paid from moneys in the Capitalized Interest Account is excluded from the Debt Service Requirement.

**Refunding Revenue Bonds.** If the Additional Authority Bonds are being issued for the purpose of refunding all or a portion of the previously issued Authority Revenue Bonds which remain outstanding as of the date of such issuance, none of the certifications described under subparagraph (c) and (d) above will be required so long as for each Fiscal Year during which Authority Revenue Bonds would otherwise have been outstanding the Debt Service Requirement for all outstanding Authority Revenue Bonds in such Fiscal Year after giving effect to the issuance of such Additional Authority Bonds will not exceed the scheduled Debt Service Requirement for all Authority Revenue Bonds in such Fiscal Year prior to giving effect to the issuance of such Additional Authority Bonds.

**Completion Revenue Bonds.** The Authority reserves the right in the Ordinance to issue one or more series of Additional Authority Bonds to pay the cost of completing any project for which Authority Revenue Bonds have been previously issued (individually and collectively, “Completion Revenue Bonds”) without complying with the general requirements for Additional Authority Bonds described under subparagraphs (c) and (d) above. Prior to the issuance of any series of Completion Revenue Bonds, the Authority must provide, in addition to the applicable certificates required by subparagraphs (a) and (b) above, (a) a certificate from the consulting engineer engaged by the Authority to design the project for which the Completion Revenue Bonds are to be issued stating that such project has not been materially changed in scope since the issuance of the most recent series of Authority Revenue Bonds issued for such purpose (except as permitted in the applicable ordinance authorizing such Authority Revenue Bonds) and setting forth the aggregate cost of such project which, in the opinion of such consulting engineer, has been or will be incurred; and (b) a certificate of an Authorized Airport Representative (i) stating that all amounts allocated to pay the costs of such project from the proceeds of the most recent series of Authority Revenue Bonds issued in connection with such project for which the Completion Revenue Bonds are being issued were used or are still available to be used to pay the costs of such project, (ii) containing a calculation of the amount by which the aggregate cost of such project as furnished in the consulting engineer’s certificate exceeds the sum of the costs of such project paid to such date plus the monies available at such date within any construction fund or other like account applicable to such project plus any other monies which the Authorized Airport Representative, in his discretion, has determined are available to pay such costs in any other fund, and (iii) certifying that, in the opinion of the Authorized Airport Representative, the issuance of the Completion Revenue Bonds is necessary to provide funds for the completion of such project.

### **Subordinate Securities**

Under the Ordinance, the Authority may issue, for any lawful Airport System purpose, one or more series of revenue bonds, notes or other obligations secured in whole or in part by a lien on Net Revenues junior and subordinate to the lien on Net Revenues securing payment of the 2003 Authority Bonds and other outstanding Authority Revenue Bonds (“Subordinate Securities”). Subordinate Securities may be further secured by any other lawfully available source of payment and need not be issued on a parity with one another. The agreements with respect to the issuance of the Subordinate Securities cannot require that a default or an event of default thereunder will create an event of default under the Ordinance.

In 1999, the Authority authorized the issuance of up to \$75,000,000 in Subordinate Commercial Paper Notes (“Commercial Paper”), the proceeds of which have been used as interim financing for various capital improvements to the Airport System and, along with other moneys on deposit under the Ordinance, to pay in full all of the 1993 Bonds. The Authority’s Commercial Paper is a Subordinate Security payable from and secured by a lien on Net Revenues of the Airport System that is junior and subordinate to the lien of the 2003 Authority Bonds and other Authority Revenue Bonds issued by the Authority. To mitigate the risk of an unsuccessful remarketing of its commercial paper following maturity, repayment of the Commercial Paper is supported by a letter of credit from Bank One, N.A. The Authority has entered into a reimbursement agreement with Bank One, N.A., to provide for repayment of any draws on the letter of credit and the Authority’s obligations under the reimbursement agreement also constitute Subordinate Securities.

As of January 1, 2003, the Authority had \$65 million of Commercial Paper outstanding, including \$41 million of Commercial Paper issued on November 27, 2002, and used, with other available funds, to pay in full all of the 1993 Bonds on January 2, 2003. See “AUTHORITY PLAN OF FINANCING.” While a portion of the proceeds of the 2003 Authority Bonds will be used to repay the entire balance of Commercial Paper outstanding, the Authority expects to continue to use Commercial Paper or similar sources of Subordinate Securities as a means to provide interim financing for various capital projects included in the 2001-2010 CIP. See “CAPITAL IMPROVEMENT PROGRAM—Plan of Funding for 2001-2010 CIP” and APPENDIX A — “REPORT OF THE AIRPORT CONSULTANT.”

### **Other Obligations**

**General Obligation Bonds.** The Authority Act permits the Authority Board to authorize the issuance of general obligation bonds of the Authority (“General Obligation Bonds”) for the purpose of procuring funds to pay the costs of acquiring real property, or constructing, enlarging, improving, remodeling, repairing or equipping



buildings, structures, runways or other facilities, for use as or in connection with or for administrative purposes of the Airport System. For the purpose of raising money to pay all General Obligation Bonds and any interest on them, the Authority Board may levy each year a special tax upon all of the property, both real and personal, located within the territorial limits of the County, in a manner and in an amount to meet and pay the principal of the General Obligation Bonds as they severally mature, together with all interest accruing on them. Any taxes collected for the purpose of paying principal and interest on General Obligation Bonds are not Gross Revenues and are not pledged to payment of Authority Revenue Bonds. The Ordinance provides that after funding of the Revenue Bond Interest and Principal Fund and the Revenue Bond Reserve Fund, Net Revenues may be deposited into the General Obligation Bond Interest and Principal Fund to pay debt service on General Obligation Bonds.

Although the Authority has no General Obligation Bonds outstanding and has no plans to issue General Obligation Bonds, the Authority may issue General Obligation Bonds in the future.

***Special Purpose Facilities Bonds.*** Under the Ordinance, the Authority reserves the right to issue one or more series of bonds to finance and refinance the cost of any Special Purpose Facilities (“Special Purpose Facilities Bonds”), including all reserves required therefor, all related costs of issuance and other amounts reasonably relating thereto; provided, that such Special Purpose Facilities Bonds will be payable solely from payments by Special Purpose Facilities lessees and other security not provided by the Authority. Each Special Purpose Facilities lease must provide that an Airport System improvement or facility is leased by the Authority to a lessee which agrees to pay (i) all of the debt service requirements for the Special Purpose Facilities Bonds issued to finance the Special Purpose Facility and (ii) all administrative expenses allocable to the Special Purpose Facility. In no event will any Gross Revenues or Net Revenues or any other amounts held in any other fund or account maintained by the Authority as security for the Authority Revenue Bonds or for the construction, operation, maintenance or repair of the Airport System be pledged to the payment of Special Purpose Facilities Bonds or to the payment of any lessee expenses of operation and maintenance of Special Purpose Facilities. The Authority has issued, from time to time, Special Purpose Facilities Bonds for the construction of facilities leased to United Airlines, Federal Express (FedEx) and US Airways, and, in the future, may, from time to time, issue one or more additional series of Special Purpose Facilities Bonds for one or more airlines or entities which conduct operations at the Airport System.

#### **Events of Defaults and Remedies; No Acceleration**

The “Events of Default” under the Ordinance and related remedies are described in APPENDIX D — “SUMMARY OF ORDINANCE,” in particular, in the section “—Defaults and Remedies.” The occurrence of an Event of Default does not grant any right to accelerate payment of the Authority Revenue Bonds to either the Authority Trustee, the Bond Bank, as owner of the Authority Revenue Bonds, or to the Bond Bank Trustee or the holders of the Bond Bank Bonds. The Authority Trustee and the Bond Bank are authorized to take certain actions upon the occurrence of an Event of Default, including initiating proceedings to enforce the obligations of the Authority under the Ordinance. See “—General.” However, because (a) Net Revenues constitute Gross Revenues after payment of all Operation and Maintenance Expenses, and (b) the Authority is not subject to involuntary bankruptcy proceedings, the Authority may be able to continue indefinitely collecting revenues and applying them to the operation of the Airport System even if an Event of Default has occurred and no payments are being made on the 2003 Authority Bonds. In the event that no payments or insufficient payments are being made on the 2003 Authority Bonds, there will be insufficient amounts available for payment of the Bond Bank Bonds.

## **BOND INSURANCE**

*The following information has been furnished by Financial Security Assurance Inc. for use in this Official Statement. Neither the Bond Bank, the Authority nor the Underwriters make any representation as to the accuracy or the completeness of such information or as to the absence of material changes in such information. See APPENDIX H — “SPECIMEN MUNICIPAL BOND INSURANCE POLICY” for the form of the municipal bond insurance policy.*

### **Bond Insurance Policy**

Concurrently with the issuance of the Series 2003A Bonds, Financial Security will issue its Municipal Bond Insurance Policy for the Series 2003A Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Series 2003A Bonds when due as set forth in the form of the Policy included as APPENDIX H to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **Financial Security Assurance Inc.**

Financial Security is a New York domiciled insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. (“Holdings”). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At September 30, 2002 Financial Security’s total policyholders’ surplus and contingency reserves were approximately \$1,728,433,000 and its total unearned premium reserve was approximately \$972,390,000 in accordance with statutory accounting principles. At September 30, 2002, Financial Security’s total shareholder’s equity was approximately \$1,928,564,000 and its total net unearned premium reserve was approximately \$814,684,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Series 2003A Bonds. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Series 2003A Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Series 2003A Bonds or the advisability of investing in the Series 2003A Bonds. Financial Security makes no representation regarding this Official Statement, nor has it participated in the preparation hereof, except that Financial Security has provided to the Bond Bank the information presented under this caption for inclusion in this Official Statement.

## **THE BOND BANK**

### **Powers and Purposes**

The Bond Bank is a body corporate and politic separate from the City. The address of the Bond Bank is Suite 2421, City-County Building, 200 East Washington Street, Indianapolis, Indiana 46204. The Bond Bank was created by the Act for the purpose of buying and selling securities of certain qualified entities, including the Authority, the City, the County, all special taxing districts of the City, all entities whose tax levies are subject to

review and modification by the City-County Council and certain authorities or entities that lease land or facilities to other qualified entities. The Bond Bank was created pursuant to the Act to help the qualified entities lower their respective borrowing costs by having the Bond Bank purchase their debt obligations at interest rates favorable to the qualified entities. To accomplish its purpose, the Bond Bank may issue bonds or notes. The Bond Bank also has general powers which include the power to enter into, make and perform contracts of every lawful kind to accomplish its purpose.

### **Board of Directors of the Bond Bank**

The Bond Bank is governed by a five member board of directors appointed by the Mayor of the City. The directors appoint an executive director who serves as secretary-treasurer of the board. The directors each serve for terms of three years and may be reappointed. No director may be an officer of the City, the County or any other authority. The current members of the board of directors, their positions and their principal occupations are as follows:

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>	<u>Occupation</u>
John J. Dillon III	Chairman	December 31, 2005	Chief Operating Officer, Standard Management
Mary Titsworth Chandler	Vice Chairman	April 30, 2003	Attorney, Wooden & McLaughlin
Jacob E. Hall	Member	April 30, 2003	Engineer, Retired, United Consulting Engineers and Architects
Thomas J. O'Donnell	Member	April 30, 2003	Business Manager of International Brotherhood of Electrical Workers
Arnold Pinkston	Member	April 30, 2003	Deputy General Counsel, Eli Lilly & Company

Robert J. Clifford was appointed the Executive Director of the Bond Bank on March 20, 2000. Mr. Clifford served as Vice President of Finance, Accounting and Marketing of the Indiana Municipal Power Agency from 1992 through March 2000. He holds a B.S. and M.B.A. from Indiana University and is a Certified Public Accountant.

Jennifer Weflen serves as Deputy Executive Director. Prior to her appointment in January 2002, Ms. Weflen served in the office of Corporation Counsel for the City. She holds a B.A. from DePauw University and J.D. from Indiana University.

### **Other Programs; Outstanding Indebtedness**

Under the Act, the Bond Bank is authorized to issue other series of notes or bonds to finance different programs to accomplish its purposes. Under separate trust indentures and other instruments authorized under the Act, the Bond Bank has previously issued and had outstanding as of September 1, 2002 an aggregate long-term principal amount of approximately \$1,684,566,152 in separate program obligations. Certain of the foregoing obligations of the Bond Bank may mature or otherwise be defeased as of or prior to the issuance of the Series 2003A Bonds. All such obligations are and will be secured separately and independently and do not and will not constitute Bond Bank Bonds under the Indenture or for purposes of this Official Statement.

Further, as of the date of this Official Statement, the Bond Bank is considering undertaking other types of financings for qualified entities for purposes authorized by and in accordance with the procedures set forth in the Act. The obligations issued by the Bond Bank in connection with any and all such financings, if any, will be secured separately from the Series 2003A Bonds and will not constitute Bond Bank Bonds under the Indenture or for purposes of this Official Statement.

## THE AUTHORITY

### Powers and Purposes

In 1962, the City Council of the City, the Mayor of the City and the County Council of the County created the Authority pursuant to the Authority Act as a municipal corporation, separate from the City and the County. The Authority Act authorizes the Authority to own and operate public airports. The Authority is empowered to do all things necessary or reasonably incident to carrying out the purposes of the Authority Act, including the power to: (i) acquire, establish, construct, improve, equip, maintain, control, lease and regulate municipal airports, landing fields and other air navigation facilities, either inside or outside the County; (ii) manage and operate airports, landing fields and other air navigation facilities acquired or maintained by the Authority; (iii) adopt a schedule of reasonable charges to and collect them from all users of facilities and services within the County; (iv) lease all or any part of an airport, landing field or any buildings or other structures, and fix, charge and collect rentals, tolls, fees, and charges to be paid for the use of the whole or a part of the airports, landing fields or other air navigation facilities by aircraft landing there and for the servicing of the aircraft; (v) make rules and regulations, consistent with laws regarding air commerce, for management and control of its airports, landing fields, air navigation facilities and other property under its control; and (vi) incur indebtedness in accordance with the Authority Act.

### Board of the Authority

The Authority is governed by the Authority Board, which is its executive and legislative body. The Authority Board consists of seven members, (a) five of whom are appointed by the Mayor of the City, (b) one of whom is appointed by the Marion County Board of Commissioners, and (c) one of whom is appointed by the Hendricks County Board of Commissioners and must reside in Guilford Township, located in Hendricks County. No more than three of the Authority Board members appointed under clauses (a) and (b) may belong to the same political party, and at least one member of the Authority Board appointed by the Mayor of the City must reside in Decatur Township or Wayne Township, each located in Marion County. Each Authority Board member is appointed for a term of four years and serves until a successor is appointed and qualified by the authority that appointed such Authority Board member. Each Authority Board member is also eligible for reappointment and is subject to removal by impeachment. Any vacancy on the Authority Board is filled by appointment by the entity that appointed such Authority Board member, for the remainder of the unexpired term. The Authority Board also includes an advisory member appointed by the Hamilton County Board of Commissioners and an advisory member appointed by the Hancock County Board of Commissioners. Advisory members have no right to vote on any matters brought before the consideration of the Authority Board. In addition, the Authority Board member appointed by the Hendricks County Board of Commissioners may not vote on any matter brought before the Authority Board relating to imposing, increasing or decreasing property taxes in the County.

The current members of the Authority Board are listed below:

*Lacy M. Johnson*, as the President of the Authority, was appointed by the Mayor of the City in January 2000. He is a partner in the law firm of Ice Miller. Mr. Johnson holds a B.A. from Purdue University and a J.D. from Indiana University School of Law - Indianapolis.

*H. Patrick Callahan*, as the Vice President of the Authority, was appointed by the Mayor of the City in December 1998. He is a partner in the law firm of Baker & Daniels. Mr. Callahan holds a B.A. from Indiana University and a J.D. from the University of Michigan.

*David E. Mansfield*, as the Secretary of the Authority, was appointed by the Hendricks County Board of Commissioners in December 2000 and has served on the Authority Board since 1997. He is Administrative Supervisor with Marathon Ashland Petroleum LLC. Mr. Mansfield holds an accounting degree from International Business College.

*N. Stuart Grauel*, as a member of the Authority, was appointed by the Mayor of the City in March 2000. He served as an officer of Indianapolis Power & Light Company and IPALCO Enterprises from 1978 to 2001. Mr. Grauel graduated from DePauw University.

*Robert H. Voorhies*, as a member of the Authority, was appointed by the Mayor of the City in January 2000. He is President of the Central Indiana Labor Council, serving in that position since 1981.

*Michael W. Wells*, as a member of the Authority, was appointed by the Marion County Board of Commissioners in January 2000 and has served on the Authority Board since 1992. He is President of REI Investments, Inc. Mr. Wells holds a B.S. in Interdisciplinary Engineering from Purdue University and a J.D. from Indiana University School of Law.

There is currently one vacant Authority Board position.

The current advisory members of the Authority Board are listed below:

*Steven Dillinger*, as an advisory member of the Authority, was appointed by the Hamilton County Board of Commissioners in August 2000. He is President of S.C. Dillinger Associates and has served in a variety of elected and appointed political positions in Hamilton County.

*Jack Morton*, as an advisory member of the Authority, was appointed by the Hancock County Board of Commissioners in September, 2002. Mr. Morton holds a B.S. in Mathematics from Ball State University and an M.B.A. in Information Systems Management from Indiana University.

The Authority Board has retained staff to assist it and has contracted with BAA Indianapolis, LLC (“BAAI”) for the management of almost all of the Authority’s assets. See “—BAAI Management Agreement” below. The Authority staff now consists of the individuals set forth below:

*John J. Kish*, was appointed Midfield Terminal Project Director in April, 2001. From 1989 to 1992, Mr. Kish served as Commissioner of the Indiana Department of Administration where he was responsible for construction of several major state projects. From 1994 to 1997, Mr. Kish served as executive director of the White River State Park Development Commission where he was widely credited with coordinating federal, state and local involvement in making the park a major regional attraction. From 1997 to 2001, he practiced law with the firm of Dann Pecar Newman & Kleiman. He graduated with a B.A. from Indiana University and a J.D. from the University of Michigan.

*Jay D. McQueen* was appointed Deputy Project Director-Midfield Terminal in October 2002. From August 1990 until September 2002, Mr. McQueen served as Deputy Commissioner and General Counsel for the Indiana Department of Administration where he was responsible for procurement, contract administration, and the Indiana State Public Works Division. Prior to August 1990, Mr. McQueen served in the U.S. Army where he specialized in contract and environmental law. Mr. McQueen graduated with a B.S. in accounting from Indiana University and a J.D. from Indiana University School of Law-Indianapolis.

*Lisa B. Cottingham* was appointed Treasurer and Assistant Secretary of the Authority in 1998 and has served since that date. From 1995 to 1998, Ms. Cottingham was an officer in an investment banking firm where her clients were school corporations and Indiana municipalities. From 1990 to 1995, Ms. Cottingham served as Executive Director for the Indiana Bond Bank where she was responsible for assisting over 100 communities with the issuance of debt for public projects. Ms. Cottingham graduated with a B.A. from Indiana University and an M.B.A. from the University of Arizona.

*Rexford W. Smith* joined the Authority in 1998 and is responsible for monitoring the operational aspects of the BAAI Management Contract (as defined below). He has experience as a government representative for contract compliance issues between the government and private sector. This experience includes managing on-site government contracts compliance at Raytheon Technical Services and performing government acceptance tests on Lockheed Aeronautical Systems Company aircraft avionics. Prior to joining the Authority, he had over 22 years experience in operational and maintenance management in naval aviation. He graduated with a B.A.S. from Troy State University.

## **BAAI Management Agreement**

In September 1995, after a competitive process, the Authority and BAAI entered into an agreement (the “BAAI Management Contract”) pursuant to which BAAI agreed to manage the operation and maintenance of the Airport System beginning October 1, 1995. The BAAI Management Contract, which is not a lease or sale of the Airport System facilities, expires on December 31, 2008. The Authority and BAAI are currently in negotiations to amend certain of the provisions, including the compensation provisions of the BAAI Management Contract.

The BAAI Management Contract grants BAAI all necessary rights and powers to serve as an independent contractor for the operation, maintenance, and management of the Airport System. The scope of BAAI’s services includes terminal, airfield, and administrative management. While BAAI may perform planning services for the Authority, it is only to the extent such planning previously was performed by the Authority’s staff. Any planning services which the Authority requests BAAI to conduct and which are normally contracted out by the Authority are outside the scope of the BAAI Management Contract and will be the subject of a separate agreement with BAAI, as an independent contractor. The development of the midfield terminal is currently managed by Authority staff.

While BAAI serves as the Authority’s administrative agent, all billings of the Authority and all remittances due the Authority are in the name of and made payable to the Authority. All of the Gross Revenues collected are directly deposited into the Airport System Fund, which is maintained by the Authority in the Authority’s official depository bank. Withdrawals or transfers from the Airport System Fund can only be made by the Authority. See APPENDIX D — “SUMMARY OF ORDINANCE—Airport System Fund.” The BAAI Management Contract stipulates that BAAI cannot obligate the Authority to expenditures beyond the Authority’s annual operating budget as approved by the Authority Board.

The Authority makes all of the debt service payments on its various indebtedness directly to the trustee or the lender, as the case may be. The Authority also makes direct payments to its reserve funds as such may be required by the Ordinance or other loan documents. In addition, the Authority directly contracts and makes payments for all capital improvement projects.

In addition, the Authority retains various powers and responsibilities including: (a) compliance with Airline Agreements (defined herein), (b) FAA/Airport Improvement Program (“AIP”) grant assurances, (c) passenger and cargo air service development policies and implementation; (d) the issuance of debt in the Authority’s name, (e) aviation rates and charges regulation, (f) long range planning, (g) airport industrial and economic development policy and implementation, (h) land acquisition, wetlands, environmental, and capital expenditure policies, and (i) all other statutory powers not delegated to BAAI, including but not limited to, compliance with bond covenants and approval of the Authority’s annual operating budget.

The Authority reimburses BAAI for all salaries, wages and benefits for BAAI employees at the Airport system. In addition, the Authority provides BAAI with rent-free office and parking space. The Authority also has agreed to pay BAAI a management fee based upon improvements in net airline cost per enplaned passenger. The Authority and BAAI are currently negotiating an amendment to the compensation provisions of the BAAI management contract which would not include a management fee based on such cost improvements. See “AIRPORT FINANCIAL INFORMATION—Management’s Discussion and Analysis of Results of Operations” herein and APPENDIX B — “AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY—Notes to Financial Statements—Compensation to BAAI.” Although the Authority expects that the compensation provisions of the BAAI Management Contract will be amended to provide for some level of fixed compensation, the Authority does not expect that the total compensation to be paid to BAAI will materially increase from compensation paid in prior years. For the past three years, 1999 through 2001, BAAI has received compensation payments from the Authority of approximately \$2.3 million per year.

Over the term of the BAAI Management Contract, BAAI guarantees that the Authority will realize reductions in the cost per enplaned passenger pursuant to a formula set forth in the BAAI Management Contract. BAAI has negotiated a stand-by letter of credit with Barclay’s of London as a contingent funding source of the guarantee. The BAAI Management Contract contains standard defaults for agreements of this character with respect to each party as well as dispute resolution procedures. Pursuant to the BAAI Management Contract, BAAI is obligated to cooperate with the Authority for an efficient transition upon expiration or termination of the BAAI

Management Contract. Finally, the BAAI Management Contract may not be modified or amended without the written agreement of both the Authority and BAAI.

### **BAAI Management Team**

BAAI's management team currently consists of the individuals set forth below:

*David J. Roberts*, has been the Airport Director for BAAI since October 1, 1995, continuing his 30 year career with BAAI's parent company and its subsidiaries. Mr. Roberts began his career with BAAI's parent company as a purchasing officer and advanced to contracts manager, concessions manager and then manager of Terminal 2 at Heathrow Airport. After serving as head of the systems development section of the parent company's computer department, he was appointed as the Managing Director for Glasgow Airport Ltd., the United Kingdom's fourth busiest airport, during which time he managed a staff of 520 employees and supervised planning for major redevelopment of the airport. After four years in such capacity, he was appointed the General Manager of the Terminals at Gatwick Airport Ltd., handling 20 million passengers per year. Since 1993 and prior to his current position with BAAI, Mr. Roberts has been involved with the parent company's international management initiatives in Europe, the Pacific, the Middle East, India and Central/South America.

*Gregory A. Ginder*, has been with BAAI since December 1996. His present position is Vice President Operations and Finance. During his tenure at BAAI, Mr. Ginder has held the positions of Vice President Operations, Interim Deputy Airport Director and Finance Director. Prior to joining BAAI, he accumulated over 15 years of financial management experience. Mr. Ginder is a Certified Public Accountant, holds a B.S. from the Indiana University School of Business, and is a Past-President of Financial Executives International, Indianapolis Chapter.

*Robert A. Duncan, A.A.E.*, has been General Counsel for BAAI since October 1, 1995, and prior to serving in such capacity he served as the Managing Director of Administration and General Counsel of the Authority since July 1, 1991. He began his career with the Authority in 1973 as Staff Attorney. Mr. Duncan holds a B.A. from Hanover College in Hanover, Indiana, and a J.D. from Indiana University School of Law. Mr. Duncan is an active pilot and serves as an FAA Designated Pilot Examiner for private, commercial, instrument and multi-engine ratings.

*Catherine Scionti* has been Vice President of Strategy and Human Resources of BAAI since March 2000. Prior to serving in such capacity she served as the Personnel Director since May 1996. Prior to joining BAAI, she served as Director of Human Resources for Health Directions, Inc., in Harvey, Illinois. Ms. Scionti holds a B.A. from Purdue University and a Ph.D. in Industrial and Organizational Psychology from Central Michigan University.

*Marsha A. Stone*, has been Finance Director for BAAI since October 1999. Ms. Stone joined the Authority as Director of Internal Audit in October 1994, and transitioned into the Finance Department as Assistant Finance Director with BAAI in 1995. She began her career in public accounting with Geo. S. Olive & Co., and primarily focused on audits of non-profit and governmental agencies. Ms. Stone's largest audit client while in public accounting was the Authority. Ms. Stone is a Certified Public Accountant and holds a B.S. from Indiana State University.

*Patrick Dooley*, has been Vice President of Business Development for BAAI since February, 2000. He joined BAAI as Retail Director in 1997. A graduate of Syracuse University, he held various marketing and management positions with retail and shopping center development companies working in New England, Hawaii and Indianapolis. Mr. Dooley also operated his own retail consulting business.

*Steven G. Vogt*, has been the Director of Public Safety for the Airport since January 2000. Mr. Vogt oversees a staff of 210 employees who provide safety and security for an area of approximately 13 square miles. Mr. Vogt is active in airport and security management associations and was a contributor to "Winning Plays: Essential Guidance from The Terrorism Line of Scrimmage," one of the foremost

academic analyses of terrorism response policy which was published by Harvard University in March 2002. A retired City police officer, Mr. Vogt is credited with assembling an elite tactical intervention unit, which has effectively responded to large-scale incidents for many years.

## **THE AIRPORT AND THE AIRPORT SYSTEM**

### **Overview**

The Authority currently operates the Indianapolis International Airport, the Downtown Heliport and five general aviation facilities (the “General Aviation Airports”): Eagle Creek Airpark, Metropolitan Airport, Hendricks County Airport, Mt. Comfort Airport and Speedway Airport. The General Aviation Airports are located in and around the County. Eagle Creek Airpark, Metropolitan Airport, the Downtown Heliport and Mt. Comfort Airport are classified as reliever airports and are part of an airport system plan for the Indianapolis Metropolitan Statistical Area (the “Indianapolis MSA”). Speedway Airport, located in the western part of the County, is not an operational airfield and the Authority intends to dispose of this asset during 2003. The reliever airports are designed to reduce congestion at the Airport and have been developed by the Authority in accordance with the metropolitan airport system plan. Mt. Comfort Airport has a full instrument landing system and is certificated under Federal Aviation Regulation Part 139. Eagle Creek Airpark has a partial instrument landing system.

The Airport, the largest part of the Airport System, is the principal air carrier airport servicing Indianapolis and central Indiana. According to Airports Council International Traffic’s 2001 data report, the Airport was the 50<sup>th</sup> largest airport in the United States, as measured by enplanements, and the 8<sup>th</sup> largest airport in terms of cargo tonnage. The Airport is located seven miles west of downtown Indianapolis in Marion and Hendricks counties, Indiana and encompasses approximately 7,500 acres. The Airport first opened in 1931 as Indianapolis Municipal Airport and served as a stop on the original transcontinental route. In 1976, the Authority changed the name of the Airport to Indianapolis International Airport. The Airport service region includes: (i) a primary area consisting of the Indianapolis MSA, including Marion, Madison, Boone, Hamilton, Hancock, Hendricks, Johnson, Morgan and Shelby counties; and (ii) a secondary area surrounding the primary area in central Indiana, including the cities of Bloomington, Terre Haute, Lafayette, Kokomo, Marion, Muncie and Columbus.

As of September 2002, ten major/national passenger airlines provided scheduled service at the Airport: America West Airlines, American Airlines (“American”), ATA, Continental Airlines (“Continental”), Delta Air Lines (“Delta”), Frontier Airlines, Northwest Airlines, Southwest Airlines (“Southwest”), United Airlines and US Airways. In addition, ten commuter/regional passenger airlines provided scheduled service: Air Canada Jazz (Air Canada Regional), American Eagle, Atlantic Coast Airlines (United Express), Chautauqua Airlines (US Airways Express), Chicago Express Airlines (ATA Connection), Comair (Delta Connection), ExpressJet (Continental Express), Mesa Airlines (US Airways Express), Shuttle America (US Airways Express), and Skyway/Astral Airlines (Midwest Express Connection). In addition to scheduled service, charter or “on demand” service is provided at the Airport. The Airport serves primarily origin-destination passengers. Since 1990 well over 80% of enplaned passengers at the Airport have been origin-destination passengers, and in 2001, this figure reached 95% of enplaned passengers. See APPENDIX A — “REPORT OF THE AIRPORT CONSULTANT.”

FedEx currently provides regularly scheduled air cargo service at the Airport and operates a national distribution and sortation hub there. FedEx provides “time-definite” transportation and distribution of packages throughout the United States and the world. Other cargo operators also serve the Airport.

### **Facilities**

***Airfield Facilities.*** The Airport has three runways. Runway 5R-23L, which opened in June 1990, runs northeast and southwest, and is 10,000 feet long and 150 feet wide. Runway 5L-23R, which opened in January 1996, is on the northwest side of the Airport, and is 11,200 feet long and 150 feet wide. Both Runway 5R-23L and 5L-23R are equipped with precision instrument landing systems, and CAT III operational capability. Runway 14-32 is a crosswind runway, runs northwest and southeast and is 7,600 feet long and 150 feet wide.



**Terminal Facilities.** The passenger terminal complex, including the terminal building, associated aircraft apron areas, automobile parking lots and access roads, is currently located on the northeast side of the Airport. The existing terminal building, which has approximately 711,000 square feet of interior space, is a two-story structure consisting of four concourses with thirty-four jet air carrier gates, five ground-level commuter airline gates and approximately twenty-seven remote commuter airline parking positions. The existing terminal building is served by a two-level roadway connected to a roadway system that loops around a parking structure and surface parking lot, which provides approximately 11,000 parking spaces.

During 2000, the Authority announced its intent to build a midfield terminal, which will be located between the two parallel runways. The concept of a midfield terminal has been incorporated into the Airport's long-term master planning since 1975. See "CAPITAL IMPROVEMENT PROGRAM—Midfield Terminal Program."

**Cargo Terminals.** The cargo terminals at the Airport total approximately 1,493,239 square feet of interior space. The largest of these is the FedEx package-sorting complex located on the south side of the Airport. This facility, when built originally totaled approximately 500,000 square feet of interior space, and includes a fuel-storage facility and a 50-acre aircraft parking apron capable of accommodating up to 60 Boeing 727 aircraft or a mix of Boeing 727 and DC-10 type aircraft. FedEx began operations at the complex in June 1988 and has expanded its facility at the Airport to become one of two primary national hubs for all FedEx operations. In September 1997, FedEx completed an expansion to this facility thereby increasing the total square feet of the facility to 1,015,000. In addition, FedEx added approximately 50 acres of aircraft parking aprons to the existing apron area. This expansion was financed by Special Purpose Facilities Bonds issued by the Authority in 1994. In addition to this facility, FedEx also occupies a separate maintenance facility at the Airport, which contains approximately 147,000 square feet of interior space.

On the north side of the Airport there is one operational cargo terminal with approximately 90,000 square feet of interior space. These facilities include two buildings and a 864,000 square feet aircraft parking apron.

The Eagle Air Hub facility served as the national hub for the U.S. Postal Service ("USPS") Express Mail operations until the end of August 2001. The facility is located on the north side of the Airport. This facility consists of 336,700 square feet of interior space on eighty acres of real estate leased from the Authority and includes over 46 acres of aircraft parking apron. The material handling system contained in this facility is capable of sorting 26,500 packages per hour at its peak rate. The hub is currently being utilized for a sort mail operation for over 25 semi-trucks per day. The USPS continues to pay its ground rental to the Authority, but is not actively searching for an entity to lease the facility.

Five airline cargo and freight forwarding buildings are located on the east side of the Airport. These facilities total 66,539 square feet of interior space. Currently, these facilities are leased by US Airways, Delta, CF International, Southwest, Continental, ATA and American.

**Other Facilities.** In addition to the facilities described in the preceding sections, the Airport also contains:

1. General aviation hangars, located in several areas of the Airport, including Raytheon Aircraft Services and Signature Flight Support Services, which together contain approximately 263,282 square feet of interior space;
2. Corporate hangars, located on the east and northwest sides of the Airport;
3. A reservations center, containing approximately 26,000 square feet of interior space, which was originally leased by US Airways but was closed by US Airways as of October 2001. The facility is currently on the market for either sale or lease.
4. The aircraft maintenance and overhaul facility utilized by United Airlines in the maintenance of certain of its aircraft;

5. An aviation technology center (the “Aviation Technology Center”) operated by Vincennes University for training individuals for employment in aviation technology and other fields related to aircraft, aircraft maintenance and airport operations;
6. The Ground Transportation Center, which provides 2,900 square feet of interior space and offers a centralized location from which shared ride, inter-city bus, City bus, and limousine services operate;
7. The National Weather Service’s Forecast Office, containing approximately 6,000 square feet and a Doppler radar system;
8. A full range of support facilities, including navigational aids, a safety facility and a fuel storage/distribution system;
9. A three-sided aircraft ground run-up enclosure composed of noise resistant panels. The run-up enclosure or “hush house” is designed to absorb engine noise and will accommodate most types of aircraft, including the Boeing 777;
10. ATA’s Corporate Headquarters, including office space and a reservation center containing approximately 125,190 square feet; and
11. ATA’s maintenance hangar facility, containing approximately 152,000 square feet; an attached office and training facility containing approximately 120,000 square feet.

#### **Certain Authority Agreements**

***Airline Agreements.*** As of the date of this Official Statement, ten passenger carriers and one cargo air carrier (the “Signatory Airlines”) operate under an Agreement and Lease of Premises (individually, an “Airline Agreement” and, collectively, the “Airline Agreements”). The Airline Agreements were entered into as of March 15, 2001 and expire December 31, 2010.

Under the Ordinance, the Authority is obligated to fix rentals, fees and charges sufficient, together with other Net Revenues, to meet the Rate Covenant in each Fiscal Year. See “SECURITY AND SOURCES OF PAYMENT FOR REVENUE BONDS—Rate Covenant.” The Airline Agreements represent residual cost agreements, obligating the Signatory Airlines to make payments (the “Signatory Airline Revenue Requirement”) to the Authority, in proportion to the use of Airport System facilities by each Signatory Airline, sufficient in the aggregate to pay in each Fiscal Year, together with other available Net Revenues and Federal Payments and any amounts in the Prepaid Airline Fund available to be applied to the Signatory Airline Revenue Requirement for such Fiscal Year: (i) Operation and Maintenance Expenses of the Airport System for such Fiscal Year; (ii) the debt service for the Authority Revenue Bonds for such Fiscal Year plus debt service coverage; (iii) any deposits required to be made in such Fiscal Year to the Revenue Bond Reserve Fund; (iv) annual amortizations of usable capital improvements to the Airport System undertaken in accordance with the Airline Agreements and completed prior to the commencement of such Fiscal Year; (v) net amounts of any assessments, judgments, settlements or charges payable by the Authority and allocated to the Airport System for such Fiscal Year; (vi) 25% of the amount of Gross Revenues plus Federal Payments derived during each Fiscal Year from Airport System concessions and rentals, charges and fees from non-Signatory Airlines and other Airport System tenants and users; and (vii) adjustments for deficiencies in any of the above payments for the preceding Fiscal Year.

To the extent that the Authority determines to classify certain PFC revenues or other revenues as Dedicated Revenues, the Authority anticipates that the debt service that is excluded from Debt Service Requirements pursuant to the Ordinance will also be excluded for purposes of setting rates and charges under the Ordinance. However, if, in the additional bonds test, the Authority identifies the Debt Service Requirements on certain series of Authority Revenue Bonds in a manner different from the actual principal and interest that is due, the setting of rates and charges will be based upon such actual principal and interest payments, not Debt Service Requirements as defined in the Ordinance.

The Airline Agreements' residual rate-making features are designed to ensure that the Authority's debt service and related coverage obligations, including the Rate Covenant, will be met. The Airline Agreements authorize the Authority to adopt an amended budget anytime during the Fiscal Year and to implement new fees and charges based on such amended annual budget. Further, if at any time the revenues and balances available in any fund and account are not sufficient to pay when due all items included in the annual budget or to pay any other expense or cost incidental or necessary to, or arising out of, the operation of the Airport System, then the Authority may upon notice to and consultation with the airlines increase landing fees to such amount as is sufficient to assure that all such items, expenses and costs can be paid in full solely from revenues of the Airport System. In the event of an airline bankruptcy, the Authority may adjust the rates and charges for all Signatory Airlines in the current rate period to recover the rates and charges due from the bankrupt carrier. However, there can be no assurance that such other airlines will be financially able to absorb additional costs. See "BONDHOLDER RISKS—Effect of Airline Bankruptcies."

Almost all of the Airline Agreements provide for the rental of terminal complex space, the use of apron areas and other facilities and services by such Signatory Airline and the periodic and non-discretionary adjustment of the amounts and ratios of the rentals, charges and landing fees to be paid by such Signatory Airline to reflect the changing requirements of the Authority's operating and capital budgets. The Authority may not construct capital improvements in excess of \$5,000,000 if concurrence is specifically withheld by a majority of the Signatory Airlines paying more than 50% of the Signatory Airlines' fees and rentals, subject to certain exceptions. Notwithstanding the foregoing limitations, the Signatory Airlines have approved the Midfield Terminal Program under the terms of Airline Agreements as discussed further below. See APPENDIX E — "SUMMARY OF AIRLINE AGREEMENTS—Annual Recalculation of Lease Rentals and Fees" and "—Capital Improvements."

Each Airline Agreement provides that the Authority must not enact any bond resolution or ordinance or subsequently amend a bond resolution or ordinance so as to require a material change in the method of calculation of rentals and fees payable under such Airline Agreement or so as to materially affect the rights of the Signatory Airline subject to such Airline Agreement without prior written consent of the Signatory Airline. If the Authority adopts a bond resolution or ordinance or a subsequent amendment to a bond resolution or ordinance, either of which materially affects the method of calculation of such rentals and fees or materially affects the rights of the Signatory Airline under such Airline Agreement, such Signatory Airline may, in writing, cancel such Airline Agreement within 15 days after the adoption date of the bond resolution or ordinance or amendment thereto by the Authority. The Authority has determined that the Ordinance does not materially change the method of calculation of rentals and fees payable under the Airline Agreements or materially affect their rights under the Airline Agreements and, accordingly, is not required to seek prior written consent of the Signatory Airlines.

The negotiation of the current Airline Agreements also achieved an agreement and understanding about the timing, scope, size and cost of the Midfield Terminal Program. In the Airline Agreements, the Signatory Airlines have approved the Midfield Terminal Program in return for certain assurances of the Authority with regard to cost containment and scope of the Midfield Terminal Program. Specifically, the Authority has agreed to (1) keep the Signatory Airlines informed and allow an opportunity for their input on the Midfield Terminal Program, and (2) use its best efforts to assure that the average projected airline cost per enplaned passenger and landing fee rate in the four years following the expected completion of the Midfield Terminal Program, do not exceed certain targeted levels. If the Authority, at any point, projects that it will be unable to construct and develop the Midfield Terminal Program and meet such targets, the Authority must consult with the Signatory Airlines and either redesign the Midfield Terminal Program, reallocate money from other capital improvement projects planned by the Authority, revise the Midfield Terminal Program budget to limit the effect of the increase in costs and landing fees to the Signatory Airlines or increase the Midfield Terminal Program budget. See APPENDIX E — "SUMMARY OF AIRLINE AGREEMENTS."

For additional information about the Airline Agreements, see APPENDIX E — "SUMMARY OF AIRLINE AGREEMENTS."

**Use Permits.** Other airlines operate at the Airport under (i) an Airport Use Permit (the "Use Permit"), which generally has a term of no more than two years (after which the Authority may allow a hold over period under the terms of the Use Permit on a month-to-month basis), or (ii) a sublease with another certified carrier. As of the date of this Official Statement, Air Canada Jazz (Air Canada Regional), Skyway/Astral Airlines (Midwest Express

Connection) and Frontier Airlines hold Use Permits and pay landing fees and terminal complex fees based upon the Authority's annually determined Schedule of Rates, Fees and Charges for the Use of the Airport Facilities.

**Concession Agreements.** The principal concession revenues at the Airport are from parking, rental car and terminal retail operations, including food and beverage, specialty retail and news and gifts. The Authority also derives revenues from telephones, advertising, ground transportation services and other concessions.

*Public Parking Facilities.* BAAI currently operates, on behalf of the Authority, a significant portion of the public parking facilities at the Airport. There are approximately 1,800 parking spaces in the terminal complex parking garage, 2,000 spaces in the business class and premier lots and a combined 7,100 spaces in the surface and economy lots. Parking revenue of approximately \$22,231,000 represented 18.4% of total operating revenue in 2001.

*Rental Car Facility Agreements.* There are currently eight on-airport rental car operators at the Airport including Alamo, Avis, Budget, Dollar, Enterprise, Hertz, National and Thrifty. Ace Rent A Car is located off-airport. Although Budget Group, Inc., the parent of Budget Rent A Car Corporation, and ANC Rental Corporation, the parent company of Alamo Rent-A-Car, Inc. and National Car Rental System, Inc., are in Chapter 11 bankruptcy proceedings and have the right to reject their concession agreements, both Budget and Alamo continue to operate at the Airport. National Car Rental Inc. is an independent franchise of National Car Rental System, Inc., and was not included in the Chapter 11 filing by ANC Rental Corporation. The implications of the Chapter 11 filings by the parent companies of Budget and Alamo are not known as of the date of this Official Statement but are not expected to be material to the financial operations of the Authority.

Alamo, Avis, Budget, Dollar, Enterprise, Hertz and National operate under concession agreements providing for payment to the Authority of a minimum fee, plus 10% of gross concession revenues (subject to guaranteed minimum payments) over a specified sales break point. Thrifty operates under a concession agreement providing for payment to the Authority of a minimum annual guarantee or percentage of gross concession revenues, whichever is greater. The Authority receives 7% of reported sales from Ace Rent A Car per the ordinance for off-airport operations. In addition rental car companies lease counters and office areas in the Airport at the prevailing rental rate. Rental car facility revenues of approximately \$5,924,000 represented 4.9% of total operating revenue in 2001.

*Terminal Concessions.* The Authority has certain agreements to lease space to certain concessionaires who provide food, beverages, newspapers, gifts and other sundry items in the terminal complex at the Airport. Concession agreements generally obligate the concessionaire to pay a percentage of gross revenues or a minimum annual guarantee, whichever is greater, to the Authority. The minimum annual guarantee typically varies based on the offering location size and exposure to passengers. Currently there are 23 food and beverage offerings at the Airport. The food and beverage agreements provide for percentage fee revenues to the Authority ranging from 10% to 15% of gross revenues. Host Marriott is the primary food and beverage concessionaire and operates 8 out of the 23 concessions under an agreement that expires December 31, 2009. Concession agreements for news and gifts provide for percentage revenues that range from 15% to 25% of gross revenues. Paradies Shops operates four of the seven news and general merchandise concessions at the Airport under an agreement that extends through September 2006. There are also eight specialty shops at the Airport. Since 1995, approximately 12,000 additional square feet has been devoted to specialty retail, and as a result of this expansion, specialty retail revenue increased approximately 9% per year from 1998 to 2000. Terminal concession revenue of approximately \$4,373,000 represented 3.6% of total operating revenue in 2001.

See APPENDIX A — “REPORT OF THE AIRPORT CONSULTANT.”

## Historical Airport Activity

Certain historical information regarding aviation activity at the Airport is set forth below:

	Year Ended December 31,					Ten Months Ending October 31,
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Enplaned Passengers <sup>(1)</sup> (thousands)	3,588	3,652	3,727	3,875	3,620	2,865 <sup>(2)</sup>
Air Cargo Enplaned (tons):						
Air Freight/Express	244,312	285,408	353,366	421,236	437,373	409,505
Air Mail	<u>120,107</u>	<u>168,418</u>	<u>236,377</u>	<u>226,607</u>	<u>178,437</u>	<u>11,050</u> <sup>(3)</sup>
Total Air Cargo	364,419	453,826	589,743	647,843	615,810	420,555
Landed Weight in 1000-pound units:						
Scheduled Air Carrier <sup>(1)</sup>	5,257	5,184	5,599	5,866	5,550	4,535
Freight & Carrier <sup>(4)</sup>	<u>3,471</u>	<u>4,362</u>	<u>5,568</u>	<u>6,038</u>	<u>6,329</u>	<u>3,843</u>
Total Landed Weight	8,728	9,546	11,167	11,904	11,879	8,378

<sup>(1)</sup> Includes domestic air carriers, international air carriers and air taxi/commuter flights.

<sup>(2)</sup> See "REPORT OF THE AIRPORT CONSULTANT" for a discussion of preliminary information regarding enplanements at the Airport for November 2002 (not included in the Report of the Airport Consultant) which show fewer enplanements than originally estimated, and the impact on certain assumptions regarding growth in enplanements in the early years of the forecast period, as set forth in the Report of the Airport Consultant.

<sup>(3)</sup> Reduction in air mail activity reflects the closing of the USPS Eagle Air Hub facility in August 2001. See "—Air Cargo Operations."

<sup>(4)</sup> Includes charter and nonscheduled aircraft and cargo.

SOURCE: Indianapolis Airport Authority.

**Enplaned Passengers.** From 1997 to 2000, the number of enplaned passengers increased an average of approximately 2.6% per year, compared to an increase of approximately 2.57% per year for the United States as a whole. In 2001, 3,619,637 passengers were enplaned at the Airport, a decrease of 6.6% from 2000. The number of enplaned passengers from September 2001 through December 2001 decreased 20.5% compared to the same period in 2000. From January 2002 through October 2002, 2,865,337 passengers were enplaned at the Airport, a 7.2% decrease from the same period in 2001 but a 4% increase over the 2002 Reforecast (as defined herein). See "AIRPORT FINANCIAL INFORMATION—Management's Discussion and Analysis of Results of Operations—Fiscal Year 2002 Budget." The declines in 2001 and the first ten months of 2002 are related to the events of September 11, 2001 and a slowing of the national economy. See "REPORT OF THE AIRPORT CONSULTANT" and APPENDIX A — "REPORT OF THE AIRPORT CONSULTANT."

**Air Cargo Operations.** From 1997 to 2000, the amount of air cargo enplaned at the Airport increased at an average rate of 21.4% per year. Cargo activity for 2001 was 615,810 tons, a 4.9% decrease from 2000. Cargo activity from January 2002 through October 2002 was 420,555 tons, a 20.2% decrease from the same period in 2001. The reduction in cargo activity is primarily related to the closing of the Eagle Air Hub facility by the USPS in August 2001. Approximately 71.1% of total enplaned cargo in 2001 was freight and express, and the remaining 28.9% was air mail. From January 2002 through October 2002, over 97% of total enplaned cargo was freight and express.

**Landed Weight.** From 1997 to 2000, total aircraft landed weight increased by an average rate of 11.0% per year. Total aircraft landed weight in 2001 was 11,879 thousand-pound units, a slight decrease from 2000. From January 2002 through October 2002, total aircraft landed weight was 8,378 thousand pound units, a 16.9% decrease from the same period in 2001 but an 11.9% increase over the 2002 Reforecast. See "AIRPORT FINANCIAL INFORMATION—Management's Discussion and Analysis of Results of Operations—Fiscal Year 2002 Budget."

In 2001, approximately 47% of the total aircraft landed weight at the Airport was accounted for by the passenger airlines, and the remaining 53% was accounted for by freight and charter airlines. From January 2002 through October 2002, freight carriers accounted for 45.9% of the total aircraft landed weight at the Airport. The biggest contributor to the reduction in landed weight was the loss of the USPS hub. See “—*Air Cargo Operations*.” The effect of the events of September 11, 2001 has generally contributed to the reduction in passenger flights only, an average loss of 13 commercial departures each day.

## **Environmental Matters**

The Airport System is subject to a wide variety of federal, state and local environmental laws and regulations that address, among other things, operations or facilities and properties owned or operated by the Authority. Among types of regulatory requirements faced by the Authority are: air, water and noise quality control requirements; specific regulatory requirements applicable to toxic and hazardous substances; requirements for training employees in the proper handling of hazardous materials; and other similar requirements. The operations at the Airport System, as with most airport systems in similar or larger airport service regions, make the Authority particularly susceptible to the practical, financial and legal risks associated with compliance with such laws and regulations. Such risks may result in damage to individuals, property or the environment; may interrupt operations or increase the Authority’s cost; may result in legal liability, damages, injunctions or fines; may trigger investigations, administrative proceedings, penalties or other governmental agency actions; and may result in material adverse consequences to the operations or financial conditions of the Authority and the Airport System.

In recent years, the Authority has initiated a number of programs to address environmental matters. Pursuant to an Airport Noise and Land Use Compatibility Study (the “Study”) adopted by the Authority in 1987, the Authority began a program of land acquisition for noise mitigation. In 1992, the Authority updated and revised the Study (the “1992 Study”) and expanded the land acquisition program to include approximately 750 additional homes at a cost of \$102,650,000. Land acquisition approved in the 1992 Study is essentially complete with an estimated 72 homes remaining eligible for purchase.

In September 1996, the Authority initiated a second update of the noise compatibility plan developed in accordance with Federal Aviation Regulation Part 150 (the “Noise Compatibility Plan”) to validate noise impacts with respect to the opening of the new runway 5R-23L and to maximize runway capacity during the late night cargo operations. The updated Noise Compatibility Plan recommends a continuation of the 1992 guaranteed purchase program to include an additional 132 homes and the addition of a sound insulation program with the option of purchase assurance for 359 homes. The updated Noise Compatibility Plan also recommended a second new program, sales assistance, for 963 homes that experience noise impact but do not meet the requirements for the other federally assisted programs. The FAA approved the 1996 update of the Noise Compatibility Plan in October 1998 that is being implemented over a five year period at an estimated cost of \$79,060,000. The updated Noise Compatibility Plan will be funded through a combination of federal grants, PFC revenues and funds of the Authority.

In September 2002, the Authority initiated an update of its noise exposure maps with respect to the Airport. The update of the noise exposure maps will not be completed until the summer of 2003; however, it is anticipated that the noise contours for the Airport will be somewhat smaller reducing the number of persons exposed to 65 DNL (yearly day/night average sound levels, or DNL) noise levels due to the United States Postal Service’s (USPS) Agreement with FedEx that relocated the USPS daytime and nighttime aircraft operations to Memphis, Tennessee. The 65 DNL noise level is the federal standard for noise mitigation programs.

Although the Authority has been proactive in its noise mitigation program, a total of 138 residents of two subdivisions southwest of the Airport have filed separate lawsuits against the Authority and its manager, BAAI, alleging claims based on inverse condemnation, access to public records, nuisance, negligence, promissory estoppel, intentional misrepresentation and fraud. The promissory estoppel, intentional misrepresentation and fraud allegations relate to the terms, conditions and application of Authority’s offer to purchase air navigation easements over these plaintiffs as well as other eligible homeowners’ real estate in the two subdivisions. The allegations are believed to be without merit. The first lawsuit containing 103 plaintiffs was filed in December 2001, and the second lawsuit containing 35 plaintiffs was filed in June 2002. Both cases are presently in the pleading and discovery phase

and no estimate of potential loss exposure is available. The litigation is being strenuously defended, and it is anticipated that the litigation will not adversely affect the use and operation of the Airport.

The Authority was issued an Authorization to Discharge under the National Pollutant Discharge Elimination System (NPDES) on December 14, 1997. The NPDES permit was valid through October 31, 2002, and the Authority has applied to renew this permit. The Authority is currently operating under the original NPDES permit that has been administratively extended and expects to be granted a renewal of the original NPDES permit for an additional five years with no significant changes. This permit establishes discharge limitations for various elements with particular emphasis on ammonia, CBOD, and propylene glycol resulting from aircraft and airfield deicing activities. The Authority undertook capital projects in 1998 and 1999 to enlarge the Mars Ditch and Seerley Creek detention basins as required by the NPDES permit to achieve compliance with applicable standards, limitations and other requirements. The Authority currently meets all requirements as specified in the NPDES permit.

### **Airline Information**

Certain of the airlines or their parent corporations are subject to the information reporting requirements of the Securities Exchange Act of 1934, and as such are required to file periodic reports, including financial and operational data, with the Securities and Exchange Commission ("SEC"). All such reports and statements may be inspected in the public reference room of the SEC at Room 1024, Judiciary Plaza, 450 5<sup>th</sup> Street, N.W., Washington, D.C. 20549, and at the SEC's regional offices at the Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, IL 60661-2511 and at 233 Broadway, New York, NY 10279. Copies of these reports and statements also may be obtained from the public reference section of the SEC at 450 5<sup>th</sup> Street, N.W., Washington, D.C. 20549, at prescribed rates. The SEC maintains a website at <http://www.sec.gov> containing reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. In addition, each domestic airline is required to file periodic reports of financial and operating statistics with the U.S. Department of Transportation. These reports may be inspected at the following location: Department of Transportation, Research and Special Programs Administration, Office of Airlines Statistics at Room 4125, 400 7<sup>th</sup> Street, S.W., Washington, D.C. 20590, and copies of the reports may be obtained from the U.S. Department of Transportation at prescribed rates.

*None of the Bond Bank, the Authority or the Underwriters undertake any responsibility for and make no representations as to the accuracy or completeness of the content of information available from the SEC or the Department of Transportation as discussed in the preceding paragraph, including, but not limited to, updates of such information or links to other internet sites accessed through the SEC's website.*

### **CAPITAL IMPROVEMENT PROGRAM**

The Authority has developed the 2001-2010 CIP which represents the Authority's current expectations of future Airport System capital needs. The 2001-2010 CIP contemplates \$1.4 billion (in inflated dollars) in capital improvements to the Airport System, a major portion of which pertain to the Midfield Terminal Program. In addition to the Midfield Terminal Program, described below, other planned projects in the 2001-2010 CIP include, among others, taxiway, runway, apron and airfield improvements; parking expansion, improvement and equipment; environmental measures; building improvements and repair; land acquisition and noise program; fuel pipeline and fuel storage; emergency response; de-icing control and storage; communication systems; hush house improvements; master planning; utilities; and security costs.

The Authority has budgeted approximately \$233.8 million for capital projects through 2003, including \$86 million for the initial design and construction of certain components of the Midfield Terminal Program (site grading, utilities, access roadway ramps, glycol recovery and the construction of a new air traffic control tower), as well as airfield and taxiway improvements, new security projects required due to the events of September 11, 2001, interim capacity improvements to the existing passenger terminal complex, including certain concession and parking areas, and certain other capital projects, including land acquisition for noise mitigation. Actual completion of projects included in the 2001-2010 CIP is dependent upon several factors including, but not limited to, the economy and the financial condition of airlines using the Airport System, receipt of environmental and other required

approvals, site conditions, the coordination of interrelated contracts, design and construction scheduling, availability of specialty contractors, supplies and equipment and the effect of these factors on ongoing operations. See “BONDHOLDER RISKS—Capital Improvement Program.”

Annually, the Authority and BAAI, with the assistance of the Airport Consultant, review and update the 2001-2010 CIP. Pursuant to the Airline Agreements, the Authority is entitled to recover the costs of capital expenditures within the Airport System from rates and charges imposed under the Airline Agreements. The Signatory Airlines have consented to the scope and funding of the Midfield Terminal Program. However, additional capital projects included in the 2001-2010 CIP may require future consent of the Signatory Airlines. See “THE AIRPORT AND THE AIRPORT SYSTEM—Certain Agreements—*Airline Agreements*” and APPENDIX E — “SUMMARY OF AIRLINE AGREEMENTS.”

### **Midfield Terminal Program**

In 1975, the Authority adopted a Master Plan which addressed expansion and construction projects at the Airport System, which plan was then revised in 1990 (collectively, the “Master Plan”). The Master Plan included expansion of the passenger terminal facilities to accommodate demand, expansion of cargo areas and other support facilities, and continuation of the Authority’s land acquisition program to accommodate Airport expansion and satisfy noise and environmental mitigation requirements. The Master Plan included discussion of the possible relocation of the passenger terminal facilities to a midfield location some time between 2000 and 2005.

In 1997, the Authority and BAAI, along with various consultants, updated certain aspects of the Master Plan and prepared a revised Master Plan which specifically addressed the various options facing the Authority for addressing future terminal needs, including renovation of the existing terminal or construction of a new midfield terminal. In April 2000, the Authority completed a nine month process to define the project scope and requirements for the Midfield Terminal Program which resulted in a detailed manual that enabled the Authority to produce a cost estimate and which would serve as the basis for the subsequent design and construction phase. Based upon the results of that process, the Authority expected the cost of the Midfield Terminal Program to be approximately \$939 million in inflated dollars. Since the events of September 11, 2001, new federal mandates have required additional security projects to be added to the scope of Midfield Terminal Program, which are included in the overall \$1.4 billion for the 2001-2010 CIP, but which will increase the expected cost of the Midfield Terminal Program by approximately \$35 million. The preparation for and construction of the Midfield Terminal Program constitutes a significant component of the 2001-2010 CIP.

In April 2001, John J. Kish was hired as the Midfield Terminal Project Director and, in May 2002, the Authority selected Hellmuth, Obata + Kassabaum, Inc. to design the midfield terminal. Since that time, certain engineering contractors have been engaged and preliminary work on the Midfield Terminal Program has begun. The Authority currently is planning to open the midfield terminal in July 2007. It is not possible at this time to predict whether or when the Authority will receive all necessary permits and approvals to proceed with the Midfield Terminal Program. As a result, there can be no assurance regarding the receipt of all necessary permits and approvals for the timing of undertaking and completing the Midfield Terminal Program.



## Plan of Funding for 2001-2010 CIP

The cost of projects included in the 2001-2010 CIP is expected to be \$1.4 billion when adjusted for inflation. The Authority plans to finance such projects with proceeds of Authority Revenue Bonds, Subordinate Securities, federal and state grants, PFC revenues and other available Authority funds. The Authority currently has outstanding \$65 million in Commercial Paper. A portion of the proceeds for the 2003 Authority Bonds will be used to repay the outstanding Commercial Paper so that Commercial Paper can be available in the future for payment of costs of additional components of the 2001-2010 CIP. In addition, a portion of the proceeds of the 2003 Authority Bonds will be used for payment of certain costs of the 2001-2010 CIP through 2003. The Authority expects to issue Additional Authority Bonds and use other sources to pay the remaining costs of the 2001-2010 CIP as set forth below. See APPENDIX A — “REPORT OF THE AIRPORT CONSULTANT.”

<u>Source of Funds</u>	<u>Amount</u> <u>(\$1,000s)</u>
2003 Authority Bonds	\$ 56,606 <sup>1,2</sup>
Future Authority Revenue Bonds	847,408 <sup>1,2,3</sup>
PFC Revenues	78,840 <sup>4</sup>
Federal and State Grants	200,688
Authority Funds	<u>205,292</u> <sup>5</sup>
Total	\$ 1,388,834

<sup>1</sup> Excludes reserve requirements, capitalized interest and financing costs and includes assumed interest earnings.

<sup>2</sup> A portion of the debt service associated with the 2003 Authority Bonds and future Authority Revenue Bonds is expected to be paid with PFC revenues which the Authority intends to designate as Dedicated Revenues pursuant to the Ordinance.

<sup>3</sup> The Authority currently anticipates future Authority Revenue Bonds to be secured by a senior lien on Net Revenues, as assumed in the Report of the Airport Consultant. However, the Authority has not determined whether future financings may include the issuance of Subordinate Securities or obligations having no lien on Net Revenues (*i.e.*, secured solely by PFC revenues).

<sup>4</sup> Includes PFC revenues to be used to pay the cost of capital improvements included in the 2001-2010 CIP on a “pay as you go” basis. Excludes PFC revenues which the Authority intends to designate as Dedicated Revenues through 2010 pursuant to one or more resolutions and which are expected to be dedicated for the use of payment of principal of and interest on a portion of the 2003 Authority Bonds and future Authority Revenue Bonds.

<sup>5</sup> Authority funds include amounts included in the annual budgets for capital improvements and recovered from rates and charges from airlines and other users of the Airport System.

**Federal and State Grants.** The FAA’s AIP consists of an entitlement fund and a discretionary fund. Entitlement funds are distributed through grants by formula based on the number of enplanements and the amount of cargo landed weight at individual airports. The FAA issues letters of intent (“LOI”) for grants from the discretionary fund based on the FAA’s assessments of national priorities. The LOI represents the intention to obligate funds from future federal budget appropriations for the program. On April 15, 2002, the FAA awarded an LOI to the Authority in the amount \$120.8 million dedicated towards the Midfield Terminal Program. Under the AIP legislation and assuming subsequent passage of continuing authorizing legislation, the Authority expects to receive a total of approximately \$200.7 million in entitlement and discretionary grants to fund the 2001-2010 CIP.

**PFC Revenues.** The Aviation Safety and Capacity Expansion Act of 1990 (P.L. 101-508) (the “1990 Act”) allows public agencies controlling certain commercial service airports (those with regularly scheduled service and enplaning 2,500 or more passengers annually) to charge each enplaning passenger using the airport a \$1.00, \$2.00 or \$3.00 facility charge, referred to as a PFC. The Wendel H. Ford Aviation Investment and Reform Act for the 21<sup>st</sup> Century (P.L. 106-181) (“AIR 21,” and together with the 1990 Act, the “PFC Enabling Acts”) increased the maximum PFC allowed to be charged by qualifying airports from \$3.00 to \$4.50. Public agencies wishing to impose and use a PFC must apply to the FAA for such authority and meet certain requirements indicated in the

legislation and pending regulations issued by the FAA. Regardless of the number of PFC applications which have been approved by the FAA, an airport can only collect a maximum of \$4.50 on each enplaning passenger. The purpose of the charge is to develop additional capital funding sources to provide for the expansion of the national airport system. The proceeds from a PFC must be used to finance eligible airport-related projects that serve or enhance safety, capacity or security of the national air transportation system, reduce noise from an airport that is part of such system, or furnish opportunities for enhanced competition between or among air carriers. PFC revenues are not included in Net Revenues.

The Authority received approval from the FAA to impose a PFC of \$3.00 per eligible enplaned passenger and has imposed the PFC since September 1993. Under this approval, the Authority is authorized to collect up to \$115 million in PFC revenues through the Fiscal Year ending December 31, 2005, which will be applied toward approved projects in the 2001-2010 CIP. The Authority received approval to increase its collection level from \$3.00 to \$4.50 per eligible passenger effective April 1, 2001, increasing the Authority's authorization to collect PFC revenues to approximately \$534 million of PFCs for project costs and financing costs relating to the Midfield Terminal Program. The Authority is currently applying for the authority to apply these PFC revenues to additional capital projects relating to the 2001-2010 CIP, including particularly, projects relating to the Midfield Terminal Program. The FAA is authorized to terminate the authority to impose a PFC if the Authority's PFC revenues are not being used for approved projects, if project implementation does not commence within the time period specified in the FAA's regulations or if the Authority otherwise violates FAA regulations. The authority to impose a PFC may also be terminated if the Authority violates certain informal and formal procedural safeguards which must be followed. See APPENDIX A — "REPORT OF THE AIRPORT CONSULTANT—Passenger Facility Charge."

Pursuant to the Ordinance, the Authority may adopt an ordinance or resolution irrevocably designating certain revenues, including PFC revenues, as Dedicated Revenues to be used exclusively to pay debt service on Authority Revenue Bonds, and in such ordinance or resolution, the Authority will elect to exclude from debt service an amount of principal and/or interest on Authority Revenue Bonds in an amount equal to such Dedicated Revenues. Thereafter, such amounts will be excluded from debt service for purposes of determining compliance with the Rate Covenant and the requirements for issuance of Additional Authority Bonds. See "SECURITY AND SOURCES OF PAYMENT OF SERIES 2003A BONDS—Rate Covenant" and "—Additional Bonds." Pursuant to the Ordinance, the Authority intends to adopt a resolution on January 17, 2003 irrevocably designating approximately \$1,100,000 per year from 2003 through 2010 in PFC revenues as Dedicated Revenues to be used exclusively for the payment of debt service on Authority Revenue Bonds to the extent allowed by law. However, such Dedicated Revenues are not pledged to secure the 2003 Authority Bonds. Although the Authority has received approval to collect such PFC revenues, it is currently seeking use approval for a portion of the PFC revenues it collects to be applied toward payment of certain capital projects in the 2001-2010 CIP to be funded with the 2003 Authority Bonds, including the Midfield Terminal Program. The Authority is preparing its application to the FAA seeking approval of the use of PFC revenues for such purposes and expects to receive such approval in sufficient time to use such PFC revenues for payment of debt service due in 2003. However, there is no assurance that the use approval will be received or will be received in a timely manner. No PFC revenues or similar charges collected by the Authority are currently pledged to secure the Authority Revenue Bonds, including the 2003 Authority Bonds.

The following table sets forth the annual PFC revenues from 1997 through 2001:

<u>Year</u>	<u>PFC revenues</u> (excludes interest income)
1997	\$ 9,957,209
1998	10,216,020
1999	10,440,498
2000	10,889,937
2001	13,909,327

## AIRPORT FINANCIAL INFORMATION

### Historical Operating Results

Certain historical operating results for the Authority are summarized below:

	Year Ended December 31,			Nine Months Ended September 30,
	1999 <sup>(1)</sup>	2000	2001	2002
	(amounts in thousands)			(unaudited)
OPERATING REVENUE:				
Airfield .....	\$ 12,340	\$ 14,931	\$ 17,168	\$ 11,398
Terminal complex .....	21,837	23,347	24,490	17,501
Parking .....	20,533	22,653	22,231	15,111
Rented buildings and other .....	49,042	62,506	55,246	38,223
Reliever airports .....	<u>1,371</u>	<u>1,422</u>	<u>1,591</u>	<u>1,281</u>
	\$105,123	\$124,859	\$120,726	\$83,514
OPERATING EXPENSE:				
Airfield .....	4,061	4,332	3,962	3,187
Terminal complex .....	5,418	6,168	6,006	4,724
Parking .....	2,495	3,348	3,640	2,987
Rented buildings and other .....	371	416	608	539
Reliever airports .....	675	736	790	599
Public safety .....	3,021	3,821	8,068	7,091
Administration .....	<u>8,362</u>	<u>9,347</u>	<u>8,846</u>	<u>6,090</u>
	\$24,403	\$28,168	\$31,920	\$25,217
Operating Income before Depreciation .....	80,720	96,691	88,806	58,297
DEPRECIATION .....	<u>50,702</u>	<u>51,651</u>	<u>52,191</u>	<u>40,612</u>
Income from operations .....	\$30,018	\$45,040	\$36,615	\$17,685
NONOPERATING REVENUE (EXPENSE):				
Passenger facility charges .....	10,440	10,890	13,909	10,957
State and local appropriations .....	28,737	29,413	30,057	23,119
Grant revenue, net .....	0	10,972	16,600	10,790
Investment income .....	5,105	8,098	5,263	1,582
Interest expense .....	(67,942)	(66,349)	(64,587)	(46,491)
Other income (expense) .....	<u>(1,006)</u>	<u>(825)</u>	<u>(576)</u>	<u>672</u>
	(\$24,666)	(\$7,801)	\$ 666	\$ 629
Net income (loss) .....	<u>\$ 5,352</u>	<u>\$ 37,239</u>	<u>\$ 37,281</u>	<u>\$ 18,314</u>

SOURCE: The Indianapolis Airport Authority.

<sup>(1)</sup> The information presented for the year ended December 31, 1999 has not been restated to reflect the effect of implementing GASB Statement No. 33 (as defined herein).

## Management's Discussion and Analysis of Results of Operations

The following discussion of the Authority's results of operations as of December 31, 1999, 2000, 2001 and for the period ending September 30, 2002, have been prepared by the Authority. Reference is made to the audited financial statements of the Authority for the Fiscal Years ended December 31, 2000 and 2001, which are attached as APPENDIX B and are an integral part of this Official Statement.

The annual financial statements of the Authority have been audited each year, beginning with Fiscal Year 1962. The Authority has received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for its comprehensive annual financial report for each Fiscal Year from 1982 through 2000, and is awaiting a decision on the 2001 financial report.

### *Fiscal Year 1999, 2000 and 2001 Audited Results*

In 2001, operating revenue was \$120.7 million, including \$41.9 million of special facility rentals (included in "Rented Buildings and Other" in the historical operating results table). Special facility rentals are pledged as security for special facility revenue bonds. Such bonds are obligations of the Authority payable from and secured by special facility rentals and are not payable from any other funds of the Authority. They are associated with the United Airlines and FedEx special facilities that came into operation between 1994 and 1998.

Operating revenue decreased in 2001 by \$4.1 million, or 3.3%, from 2000. The decrease was primarily due to a decrease in revenues from Rented Buildings and Other, which includes special facility rent and contributions from lessees. Revenues from Rented Buildings and Other was \$62.5 million in 2000 and \$55.2 million in 2001, a decrease of \$7.3 million, or 11.6%. This decrease was primarily driven by a change in revenue recognition for lessee-financed improvements as a result of implementing Governmental Accounting Standards Board ("GASB") Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, in 2001. GASB Statement No. 33 requires the Authority to recognize government grants and contributions of assets from lessees and others as revenue when all applicable eligibility requirements (as defined in GASB Statement No. 33) are met. Previously these amounts were recorded as additions to contributed capital. Contributions from lessees included in Rented Buildings and Other was \$4.9 million and \$13.1 million in 2001 and 2000, respectively. From 1999 to 2001, operating revenue grew by an average annual rate of 7.2% and Rented Buildings and Other increased \$6.2 million, or an average annual rate of 6.1%.

In 2001, operating revenue, excluding Rented Buildings and Other, was \$65.5 million, an increase of \$3.1 million, or 5.0%, over 2000. Airfield revenue in 2001 increased \$2.2 million, or 15.0%, as a result of increased annual landing rates. Terminal complex revenue increased \$1.1 million, or 4.9%, over 2000, as a result of terminal rate increases for airline space in the terminal facility. Parking revenue decreased \$421,782, or 1.9%, over 2000, as a result of a drop in enplaned passengers subsequent to September 11, 2001. From 1999 to 2001 operating revenue, excluding Rented Buildings and Other, grew by \$9.4 million, or an average annual rate of 8.0%. During this period airfield revenue increased \$4.8 million, or an average annual rate of 18.0%, as a result of increased annual landing rates and an annual increase in landing weights of 3.1%. Terminal complex revenue increased \$2.7 million, or an average annual rate of 5.9%, from 1999 to 2001, as a result of terminal rate increases. Parking revenue increased \$1.7 million, or an average annual rate of 4.1% during this period, primarily due to full implementation of the parking master plan and revised rate structure.

In 2001, operating expense before depreciation was \$31.9 million, an increase of \$3.8 million, or 13.3%, over 2000. Public Safety expense increased \$4.2 million, or 111.1%, due to a reimbursement of \$3.1 million to the City for six years of public safety related costs. Public Safety expense in 2001 also included incremental security costs of \$549,940 relating to enhanced security requirements as mandated by the FAA and TSA subsequent to the events of September 11, 2001.

In 2001, depreciation was \$52.2 million, an increase of \$540,657, or 1.0%, over 2000. From 1999 to 2001 depreciation grew by \$1.5 million, or an average annual rate of 1.5%.

In 2001, net non-operating income was \$666,369, an increase of \$8.5 million over 2000. The significant increase is primarily due to an increase in net grant revenue of \$5.6 million as a result of implementing GASB Statement No. 33. PFCs increased \$3.0 million, or 27.7%, over 2000, as the per enplanement PFC rate increased from \$3.00 to \$4.50 effective April 1, 2001. Investment income was \$5.3 million in 2001, a decrease of \$2.8 million, or 35.0%, over 2000. This decrease was due to the depletion of construction funds as the United Airlines project neared completion. State and local appropriations for the United Airlines project increased by \$643,229, or 2.2%, from 2000 to 2001. Interest expense decreased by \$1.8 million, or 2.7%, during this period.

#### *Fiscal Year 2002 Budget*

The annual operating budget of the Authority is prepared by BAAI and adopted by ordinance upon approval of the Authority Board. It is submitted to the Indianapolis/Marion County City-County Council as part of a ministerial review process. The Marion County Tax Adjustment Board and the State Board of Tax Commissioners review the budget in the same manner. Public hearings are held at each step of the review process, and notice of the hearings is published in accordance with Indiana law. The 2002 Authority budget was approved prior to the events of September 11, 2001. In order to capture the significant impact of these events on projected 2002 operating results, a 2002 reforecast was prepared in the fourth quarter of 2001 (the "2002 Reforecast"). The 2002 Reforecast was prepared for and presented to the Authority Board and is used internally as the measurement of 2002 actual results.

#### *Year-to-date September 2002 Unaudited Results*

Year-to-date September 2002 operating revenue of \$83.5 million was in line with the 2002 Reforecast, down only 0.2%. Airfield revenue exceeded the 2002 Reforecast by \$1.2 million, or 12.1%, as landed weights were higher than anticipated due to new air service and heavier aircraft. Terminal complex revenue of \$17.5 million was \$567,655, or 3.1%, below the 2002 Reforecast. The 2002 Reforecast included space rental for TWA before the airline merger with American, which resulted in an overall reduction in rented space from American/TWA. Parking revenue was \$15.1 million through September 2002, which was 1.4% above the 2002 Reforecast, and is in line with enplanements through September, which were 2.0% above the 2002 Reforecast. Revenue from Rented Buildings and Other, which includes special facility rent and contributions from lessees, was \$38.2 million, a decrease of \$951,908, or 2.4%, from the 2002 Reforecast. This is primarily driven by a reduction in the revenues recognized from reversions of lessee-financed improvements and by a reduction in ground lease revenues due to hotel operator construction.

Year-to-date September 2002 operating expense before depreciation was \$25.2 million, favorable to the 2002 Reforecast by \$566,713, or 2.2%. Airfield operating expenses of \$3.2 million were below the 2002 Reforecast by \$247,999, or 7.2%, as a result of the mild winter experienced in January through March 2002. Administration expenses of \$6.1 million were favorable to the 2002 Reforecast by \$612,239, or 9.1%, due to an adjustment to BAAI management compensation based on net non-airline results per passenger, which drives the contractual calculation of BAAI's management compensation. Public Safety expenses of \$7.1 million are in line with anticipated results, exceeding the 2002 Reforecast by 0.6%.

It is important to note that year-to-date September 2002 incremental security costs were \$2.9 million and related to enhanced security requirements as mandated by the TSA subsequent to the events of September 11, 2001.

Year-to-date September 2002 net non-operating income was \$629,064, favorable to the 2002 Reforecast by \$18.9 million primarily due to net grant revenue of \$10.8 million recorded as a result of implementing GASB Statement No. 33. Interest expense was favorable to the 2002 Reforecast by \$8.1 million, or 14.8%, as additional financings had not been required as of September 2002 as anticipated.

In reviewing the year-to-date September 2002 unaudited financial information included herein, it is important to note that certain transactions and adjustments are calculated and recorded annually at year end and, therefore, are not reflected in the year-to-date September 2002 results. Such adjustments include recording the effect of reversions of lessee financed improvements, market value adjustments to investments and certain expense accruals.

## **REPORT OF THE AIRPORT CONSULTANT**

As required under the provisions of the Ordinance regarding the issuance of Additional Revenue Bonds, Leigh Fisher Associates has prepared the Report of the Airport Consultant dated January 2, 2003, included herein as APPENDIX A. The Report of the Airport Consultant presents forecasts of Gross Revenues, Operation and Maintenance Expenses, Net Revenues, and debt service coverage for Fiscal Years 2003 through 2010, and sets forth the information and assumptions upon which the forecasts are based. The financial forecasts are based on assumptions that were provided by, or reviewed and agreed to by, the Authority and BAAI. In the opinion of the Airport Consultant, these assumptions provide a reasonable basis for the forecasts. The Report of the Airport Consultant utilizes historical and current information from 1980 through 2002 to project enplanements at the Airport over the forecast period (through 2010.) As noted in the Report of the Airport Consultant, the forecast enplanements are based upon a recovery from the events of September 11, 2001 and the weak economy to historical (1980 - 2000) enplanement trend lines beginning in 2003 and continuing through 2006, at which time enplanements are projected to grow thereafter consistent with long term trends. The preliminary November 2002 operating results for the Airport System show fewer enplanements at the Airport than originally estimated, which is a continuation of lower enplanement levels than originally estimated for September and October 2002. The November 2002 results are preliminary and are not included in this Official Statement or in the Report of the Airport Consultant. Although the particular cause or causes of the lower than estimated enplanements for September through November 2002 cannot be determined at this time and represent only a snapshot of current enplanement activity, these results may indicate a slower recovery to historical enplanement levels at the Airport than forecasted. Accordingly, the Authority and BAAI recognize that certain specific assumptions regarding growth in enplanements in the early years of the forecast period as set forth in the Report of the Airport Consultant, particularly those for 2003 and 2004, may not be realized. Although it is difficult to determine the ultimate length of the recovery to historical enplanement levels at the Airport, the Authority and BAAI believe that the assumptions in the Report of the Airport Consultant through the full forecast period are reasonable. The Report of the Airport Consultant must be read in its entirety for an understanding of the forecasts and the underlying rationale and assumptions contained therein. However, as set forth in the Report of the Airport Consultant, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized, and unanticipated events and circumstances may occur. Therefore, the actual results achieved during the forecast period will vary from those forecast, and the variations may be material. See "BONDHOLDER RISKS—Forward-Looking Statements."

The following table summarizes the forecast Gross Revenues, Operation and Maintenance Expenses of the Airport System and debt service coverage over the period 2003 through 2010. This table is taken from the Report of the Airport Consultant. In making such forecasts, the Airport Consultant has utilized a number of assumptions outlined in the Report of the Airport Consultant that were provided or reviewed and agreed to by the Authority and BAAI management and deemed by the Airport Consultant to be reasonable.

**Forecast of Gross Revenues, Operating Expenses and Debt Service Coverage**  
(amounts in thousands except for coverage)

Fiscal Year	Forecast Net Revenues (including amounts in the Prepaid Airline Fund and Coverage Fund)[A]	Estimated Revenue Bond Debt Service Requirements <sup>(1)(2)</sup> [B]	Estimated Revenue Bond Debt Service Coverage Ratio [A/B]
2003	\$ 49,468,000	\$ 24,930,000	1.98
2004	64,082,000	28,550,000	2.24
2005	79,412,000	40,315,000	1.97
2006	84,864,000	43,601,000	1.95
2007	92,314,000	43,855,000	2.10
2008	110,167,000	60,820,000	1.81
2009	114,226,000	59,881,000	1.91
2010	126,710,000	70,187,000	1.81

<sup>(1)</sup> Debt Service Requirements on the 2003 Authority Bonds and Additional Authority Bonds were provided by the Authority's financial advisor, and Debt Service Requirements on the 1996 Bonds and the 1998 Bonds were provided by the Authority.

<sup>(2)</sup> Revenue Bonds include the 1996 Bonds, the 1998 Bonds, the 2003 Authority Bonds, and approximately \$786 million in Additional Authority Bonds (includes reserve requirements, capitalized interest and financing costs). Amounts shown exclude a portion of debt service equal to the amount of PFC revenues that the Authority intends to designate as Dedicated Revenues pursuant to the Ordinance. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003A BONDS—Rate Covenant."

SOURCE: Leigh Fisher Associates, "Report of the Airport Consultant, Indianapolis Airport Authority Airport Revenue Bonds, Series 2003A" (APPENDIX A of this Official Statement).

### BONDHOLDER RISKS

**The purchase and ownership of the Series 2003A Bonds may involve investment risk. Prospective purchasers of the Series 2003A Bonds should give careful consideration to the information set forth in this Official Statement, including, in particular, the matters referred to in the following summary.**

**In considering the matters set forth in this Official Statement, prospective investors should carefully review all investment considerations set forth throughout this Official Statement and should specifically consider risks associated with the 2003 Authority Bonds. The Authority's ability to derive Net Revenues from operation of the Airport System sufficient to pay debt service on the 2003 Authority Bonds depends upon many factors, many of which are not subject to the control of the Authority. These factors include the financial strength of the air transportation industry in general and the financial strength of the firms in that industry that operate at the Airport.**

#### **Recent Events Affecting the Air Transportation Industry and the Airport**

The terrorist attacks of September 11, 2001, significantly adversely affected the United States air transportation industry, including the operation of the Airport. Specifically, since September 11, 2001, enplanements at the Airport, collections of PFC revenues and the receipt of activity-based revenues have been negatively impacted and may continue to be so affected by the financial condition of the air travel industry and the economy in general. Like many airport operators, the Authority has experienced increased operating costs due to compliance with federally mandated and other security and operating changes. The Authority cannot predict the likelihood of future incidents similar to September 11, 2001, the likelihood of future air transportation disruptions or the impact on the Airport or the airlines from such incidents or disruptions. See "RECENT EVENTS AFFECTING THE AIR TRANSPORTATION INDUSTRY AND THE AIRPORT SYSTEM."

## **Level of Airline Traffic**

The 2003 Authority Bonds are payable solely from and secured by a pledge of the Net Revenues of the Airport System and certain Airport System funds and accounts held under the Ordinance. Gross Revenues are dependent primarily on the level of aviation activity and enplaned passenger traffic at the Airport. Key factors that affect airline traffic at the Airport include: local, regional, national and international economic and political conditions, aviation security concerns, airline service and routes, airline airfares and competition, airline industry economics, including labor relations, availability and price of aviation fuel, capacity of the national air traffic control and airport systems, capacity of the Airport and competition from other airports, among others. Many of these factors, most of which are outside the Airport's control, are discussed in detail in the Report of the Airport Consultant attached hereto as APPENDIX A. Due to the events of September 11, 2001, and the general economic downturn, airline traffic has significantly declined. It is difficult to determine the ultimate length of the recovery to historical enplanement levels. See also "REPORT OF THE AIRPORT CONSULTANT" for a discussion of preliminary information regarding enplanements at the Airport for November 2002 (not included in the Report of the Airport Consultant) which show fewer enplanements than originally estimated, and the impact on certain assumptions regarding growth in enplanements in the early years of the forecast period, as set forth in the Report of the Airport Consultant. If aviation activity and enplaned passenger traffic at the Airport are slower to recover than currently forecast, a corresponding reduction would occur both in forecast Gross Revenues (absent an increase in Airport rentals, fees and charges) and in forecast PFC revenues. See "APPENDIX A — REPORT OF THE AIRPORT CONSULTANT—AIRLINE TRAFFIC ANALYSIS—Key Factors Affecting Future Airline Traffic" and "—FINANCIAL ANALYSIS—Sensitivity Analysis."

## **Aviation Security Concerns**

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of potential international hostilities and terrorist attacks, may influence passenger travel behavior and air travel demand. These concerns have intensified in the aftermath of the events of September 11, 2001. Travel behavior may be affected by anxieties about the safety of flying and by the inconveniences and delays associated with more stringent security screening procedures, both of which may give rise to the avoidance of air travel generally and the switching from air to surface travel modes.

Since September 11, 2001, intensified security precautions have been instituted by government agencies, airlines and airport operators. These precautions include the strengthening of aircraft cockpit doors, changes to prescribed flight crew responses to attempted hijackings, increased presence of armed sky marshals, federalization of airport security functions under the newly created TSA and revised procedures and techniques for the screening of passengers and baggage for weapons and explosives. No assurance can be given that these precautions will be successful. Also, the possibility of intensified international hostilities and further terrorist attacks involving or affecting commercial aviation are a continuing concern that may affect future travel behavior and airline passenger demand. See "RECENT EVENTS AFFECTING THE AIR TRAVEL INDUSTRY AND THE AIRPORT SYSTEM."

As the TSA implements a current Congressional mandate for the screening of all checked baggage for explosives, there is the potential for significantly increased inconvenience and delays at many airports. These increased inconveniences and delays may affect air travel demand at the Airport and throughout the air transportation system.

The Report of the Airport Consultant states that, historically, air travel demand has recovered after temporary drops from security-related concerns stemming from terrorist attacks, hijackings, aircraft crashes and international hostilities and, provided that the intensified security precautions now being implemented in the United States and elsewhere are effective in restoring confidence in the safety of commercial aviation while not imposing unacceptable inconveniences and delays for air travelers, of which there can be no assurance, it is expected that future demand for airline travel at the Airport will depend primarily on economic rather than security factors. See "APPENDIX A — REPORT OF THE AIRPORT CONSULTANT—AIRLINE TRAFFIC ANALYSIS—Key Factors Affecting Future Airline Traffic—*Aviation Security Concerns*."



## **Regulations and Restrictions Affecting the Airport**

The operations of the Airport are affected by a variety of contractual, statutory and regulatory restrictions and limitations including, without limitation, the provisions of the Airline Agreements, the federal acts authorizing the imposition and collection of PFCs and extensive federal legislation and regulations applicable to all airports in the United States. In the aftermath of the events of September 11, 2001, the Airport also has been required to implement enhanced security measures mandated by the FAA, the TSA and Airport management. Among these measures was the requirement that by December 31, 2002 sufficient explosive detection systems be deployed at all airports in the United States to screen all checked baggage. Sufficient explosive detection systems were deployed at the Airport in advance of the December 31 deadline. Although the cost of such systems is to be borne by the TSA and the airlines, structural modifications to the terminal complex to facilitate installation and operation of the new systems were necessitated at a cost to the Airport. In September 2002, the Authority received an FAA AIP grant to fund up to \$7.1 million of such costs which are estimated to total \$8.6 million. See “—Aviation Security Concerns” above.

The FAA also has the power to terminate the authority to impose PFCs if the Authority’s PFC revenues are not used for approved projects, if project implementation does not commence within the time period specified in the FAA’s regulations or if the Authority otherwise violates FAA regulations. The Authority’s plan of funding for the 2001-2010 CIP is premised on certain assumptions with respect to the timing and amounts of the Authority’s PFC applications, and the availability of PFC revenues to fund portions of certain projects in the 2001-2010 CIP. In the event that PFC revenues are lower than those expected or that certain portions of the 2001-2010 CIP are not determined to be PFC-eligible, the Authority may elect to delay certain projects or seek alternative sources of funding, including the possible issuance of Additional Authority Bonds. See “CAPITAL IMPROVEMENT PROGRAM.” It is not possible to predict whether future restrictions or limitations on Airport operations will be imposed, whether future legislation or regulations will affect anticipated federal funding or PFC revenue collections for capital projects for the Airport or whether such restrictions or legislation or regulations would adversely affect Gross Revenues.

The Authority is currently seeking use approval related to its PFC collections for the Midfield Terminal Program and other capital projects in the 2001-2010 CIP. Although the Authority expects to receive such approval from the FAA, there can be no assurance that such approval will be granted or will be granted in a timely manner.

## **Effect of Airline Bankruptcies**

The profitability of the airline industry has declined since 2000, with many airlines reporting substantial financial losses and several airlines filing for bankruptcy protection, due not only to the events of September 11, 2001, but also to a general economic slowdown, increased aviation fuel costs, inclement weather throughout the nation, labor disruptions and other factors. In December 2000, National Airlines filed for bankruptcy protection and subsequently ceased operations in November 2002; in 2001, TWA filed for bankruptcy protection and was integrated into American after substantially all of TWA’s assets and certain liabilities were purchased by American; in August 2001, Midway Airlines filed for bankruptcy protection and subsequently ceased operations; in July 2002, Vanguard Airlines filed for bankruptcy protection and has suspended all operations. In August 2002, US Airways filed for bankruptcy protection but is continuing operations, although certain routes and flights could be affected with possible service reductions. In addition, UAL, the parent of United Airlines, filed for Chapter 11 bankruptcy protection on December 9, 2002, but is continuing United Airlines’ operations, although certain routes and flights could be affected with possible service reductions. Additional bankruptcies, liquidations or major restructurings of other airlines could occur. It is not possible to predict the impact on the Airport System of the recent bankruptcies of US Airways and United Airlines and any future bankruptcies, liquidations or major restructurings of other airlines. See also “—Level of Airline Traffic.”

In the event of bankruptcy proceedings involving one or more of the Signatory Airlines, the debtor airline or its bankruptcy trustee must determine within a time period determined by the court whether to assume or reject the applicable Airline Agreement. In the event of assumption, the debtor airline would be required to cure any prior defaults and to provide adequate assurance of future performances under the applicable Airline Agreement. Rejection of the Airline Agreement by any Signatory Airlines would give rise to an unsecured claim of the Authority for damages, the amount of which may be limited by the U.S. Bankruptcy Code generally to the amounts

unpaid prior to bankruptcy plus the greater of (a) one year of rent or (b) 15% of the total remaining lease payments, not to exceed three years. However, the amount ultimately received in the event of rejection of an Airline Agreement or other agreement could be considerably less than the maximum amounts allowed under the Bankruptcy Code. Due to the residual nature of the Airline Agreements, the amounts unpaid as a result of a rejection of the Airline Agreement by a Signatory Airline in bankruptcy can be passed on to the remaining Signatory Airlines. However, there can be no assurance that the remaining Signatory Airlines would be able, individually or collectively, to meet their additional obligations under the Airline Agreements. Both United Airlines and US Airways were operating at the Airport under Airline Agreements at the time of their filing for bankruptcy protection. To date both of these airlines have not rejected their respective Airline Agreements and continue to operate at the Airport. Additionally, during the pendency of the bankruptcy proceeding, a debtor airline may not, absent a court order, make any payments to the Authority on account of goods and services provided prior to the bankruptcy. Thus, the Authority's stream of payments from a debtor airline would be interrupted to the extent of pre-petition goods and services, including accrued rent and landing fees. See "RECENT EVENTS AFFECTING THE AIR TRANSPORTATION INDUSTRY AND THE AIRPORT SYSTEM," "THE AIRPORT AND THE AIRPORT SYSTEM—Certain Authority Agreements—Airline Agreements" and APPENDIX E — "SUMMARY OF AIRLINE AGREEMENTS."

Pursuant to the PFC Enabling Acts, the FAA has approved certain of the Authority's applications to require the airlines to collect and remit to the Authority a PFC on each enplaning passenger at the Airport (see "CAPITAL IMPROVEMENT PROGRAM—Plan of Funding for 2001-2010 CIP.") The PFC Enabling Acts provide that PFCs collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency imposing the PFCs, except for any handling fee or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds for financial statements. The airlines, however, are permitted to commingle PFC collections with other revenues and are also entitled to retain interest earned on PFC collections until such PFC collections are remitted. The bankruptcy courts have not fully addressed such trust arrangements. Therefore, the Authority cannot predict how a bankruptcy court might rule on this matter in the event of a bankruptcy filing by one of the Signatory Airlines or other airlines operating at the Airport. It is possible that the Authority could be held to be an unsecured creditor with respect to unremitted PFC revenues held by an airline that has filed for bankruptcy protection. Additionally, the Authority cannot predict whether the airline that files for bankruptcy protection would have properly accounted for the PFC revenues owed to the Authority or whether the bankruptcy estate would have sufficient moneys to pay the Authority in full for the PFC revenues owed by such airline.

### **Capital Improvement Program**

The estimated costs of, and the projected schedule for, the projects included in the 2001-2010 CIP, including in particular the Midfield Terminal Program, depend on various sources of funding, including Additional Authority Bonds, PFC revenues, and federal and state grants, and are subject to a number of uncertainties. The ability of the Authority to complete the various projects in the 2001-2010 CIP, including in particular the Midfield Terminal Program, may be adversely affected by various factors including: (i) estimating errors, (ii) design and engineering errors, (iii) changes to the scope of the projects, (iv) delays in contract awards, (v) material, and/or labor shortages, (vi) unforeseen site conditions, (vii) adverse weather conditions, (viii) contractor defaults, (ix) labor disputes, (x) unanticipated levels of inflation and (xi) environmental issues, including environmental approvals that the Authority has not obtained at this time. A delay in the completion of certain projects under the 2001-2010 CIP could delay the collection of revenues in respect of such projects, increase the costs for such projects, and may cause the rescheduling of other projects. There can be no assurance that the cost of the 2001-2010 CIP will not exceed the currently projected dollar amount or that the completion of the projects will not be delayed beyond the currently projected completion dates. Any schedule delays or cost increases could result in the need to issue additional bonds and may result in increased costs per enplaned passenger to the airlines, which may place the Airport at a competitive disadvantage to other airports.

### **Certain Insurance Coverage**

As a result of the events of September 11, 2001, the Authority's general commercial liability policies no longer include coverage for war casualty or terrorist acts. Subsequently, the Authority has obtained a \$50 million policy for certain war casualty and terrorist acts. No assurance can be given that such insurance will continue to be

available at a reasonable cost and in meaningful amounts or that, to the extent that the Authority is uninsured, it will be able to satisfy any claims in the event of a future war or terrorist attack.

### **Assumptions in the Report of the Airport Consultant**

The Report of the Airport Consultant incorporates numerous assumptions as to the utilization of the Airport and other matters and states that any forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, the actual results achieved during the forecast period will vary, and the variations may be material. See “REPORT OF THE AIRPORT CONSULTANT” and APPENDIX A — REPORT OF THE AIRPORT CONSULTANT.”

### **Forward-Looking Statements**

This Official Statement, and particularly the information contained under the captions “INTRODUCTION,” “AUTHORITY PLAN OF FINANCING,” “THE AIRPORT AND THE AIRPORT SYSTEM,” “CAPITAL IMPROVEMENT PROGRAM,” “REPORT OF THE AIRPORT CONSULTANT,” and APPENDIX A — “REPORT OF THE AIRPORT CONSULTANT,” contain statements relating to future results that are “forward looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect,” and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements.

## **LITIGATION**

### **Absence of Litigation Relating to the Series 2003A Bonds and 2003 Authority Bonds**

There is not now pending or, to the Bond Bank’s or Authority’s respective knowledge, threatened any litigation restraining or enjoining the issuance, sale, execution or delivery of the Series 2003A Bonds or the 2003 Authority Bonds, or the execution and delivery of, and performance by the respective parties to, the Indenture, the Ordinance or any other agreement; prohibiting the Bond Bank from purchasing the 2003 Authority Bonds with the proceeds of the Series 2003A Bonds; in any way contesting or affecting the validity of the Series 2003A Bonds or the 2003 Authority Bonds or any proceedings of the Bond Bank taken with respect to the issuance or sale thereof, or the Pledges (as hereinafter defined under the caption “ENFORCEABILITY OF REMEDIES”) or application of any moneys or security provided for payment of the Series 2003A Bonds or the 2003 Authority Bonds. Neither the creation, organization or existence of the Bond Bank or the Authority nor the title of any of the present directors or other officers of the Bond Bank or Authority to their respective offices is being contested.

### **Other Litigation**

The Authority and its manager, BAAI, are defendants in litigation with respect to aircraft noise and related issues. See “THE AIRPORT AND THE AIRPORT SYSTEM—Environmental Matters” for further details.

The Authority was named as a defendant along with eighty-one other airports and their associated airlines and cargo carriers in a “qui tam” lawsuit filed January 24, 2000 in the United States District Court for the Northern District of Ohio. Plaintiff is claiming that the defendant airports have submitted false and fraudulent claims to the United States Environmental Protection Agency and the FAA in order to receive federal grants in aid and to avoid civil penalties due to multiple environmental violations with respect to the use of aircraft deicing fluids at defendants’ airports which contain ethylene or propylene glycol. Specifically, the plaintiff contends that in obtaining federal aid for airport development, the defendant airports must certify that the airports will comply with applicable environmental laws. Plaintiff claims defendants have filed false claims with the United States government with respect to this certification and have failed to notify the federal government of the release of hazardous and other types of pollutants resulting from use of deicing fluids at airports. Plaintiff is seeking injunctive relief for the defendant airports to comply with environmental laws, obtain appropriate permits for aircraft deicing fluids, and damages. Forty-four of the defendant airports, including the Authority, combined as a joint defense

group and retained the services of national law firm, Palmer & Dodge, to defend the case. The case is viewed as being without merit, and on March 15, 2002, a motion to dismiss the complaint was filed with the district court which motion is still pending before the court. As of the date of this Official Statement, no argument date has been set.

## **TAX MATTERS**

### **General**

In the opinion of Ice Miller, Indianapolis, Indiana, Bond Counsel, under existing laws, regulations, judicial decisions and rulings, interest on the Series 2003A Bonds is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Series 2003A Bonds (the “Code”), except for interest on any Series 2003A Bond for any period during which such Series 2003A Bonds is owned by a person who is a “substantial user” of the Airport System or a “related person” as defined in Section 147(a) of the Code. This opinion relates only to the exclusion from gross income of interest on the Series 2003A Bonds for federal income tax purposes under Section 103 of the Code and is conditioned on continuing compliance by the Bond Bank and Authority with the Tax Covenants (hereinafter defined). Failure to comply with the Tax Covenants could cause interest on the Series 2003A Bonds to lose the exclusion from gross income for federal income tax purposes retroactive to the date of issue. In the opinion of Ice Miller, Indianapolis, Indiana, Bond Counsel, under existing laws, regulations, judicial decisions and rulings, interest on the Series 2003A Bonds is exempt from income taxation in the State. This opinion relates only to the exemption of interest on the Series 2003A Bonds for State income tax purposes. See APPENDIX C for the form of Bond Counsel opinion.

The Code imposes certain requirements which must be met subsequent to the issuance of the Series 2003A Bonds as a condition to the exclusion from gross income of interest on the Series 2003A Bonds for federal income tax purposes. The Bond Bank and Authority will covenant not to take any action, within its power and control, nor fail to take any action with respect to the Series 2003A Bonds that would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Series 2003A Bonds pursuant to Section 103 of the Code (collectively, “Tax Covenants”). The Indenture, the Ordinance and certain certificates and agreements to be delivered on the date of delivery of the Series 2003A Bonds establish procedures to permit compliance with the requirements of the Code. It is not an event of default under the Indenture if interest on the Series 2003A Bonds is not excludable from gross income for federal tax purposes or otherwise pursuant to any provision of the Code which is not in effect on the date of issuance of the Series 2003A Bonds.

The interest on the Series 2003A Bonds is a specific preference item for purposes of the federal individual or corporate alternative minimum taxes.

Indiana Code 6-5.5 imposes a franchise tax on certain taxpayers (as defined in Indiana Code 6-5.5) which, in general, includes all corporations which are transacting the business of a financial institution in Indiana. The franchise tax is measured in part by interest excluded from gross income under Section 103 of the Code minus associated expenses disallowed under Section 265 of the Code. Taxpayers should consult their own tax advisors regarding the impact of this legislation on their ownership of the Series 2003A Bonds.

Although Bond Counsel will render an opinion that interest on the Series 2003A Bonds is excluded from federal gross income and exempt from State income tax, the accrual or receipt of interest on the Series 2003A Bonds may otherwise affect a bondholder’s federal income tax or state tax liability. The nature and extent of these other tax consequences will depend upon the bondholder’s particular tax status and a bondholder’s other items of income or deduction. Taxpayers who may be affected by such other tax consequences include, without limitation, financial institutions, certain insurance companies, S corporations, certain foreign corporations, individual recipients of Social Security or railroad retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry the Series 2003A Bonds. Bond Counsel expresses no opinion regarding any other such tax consequences. Prospective purchasers of the Series 2003A Bonds should consult their own tax advisors with regard to the federal and state tax consequences of owning the Series 2003A Bonds.

## **Original Issue Discount**

The initial public offering price of the Series 2003A Bonds maturing on January 1, 2018, and on January 1, 2020 through and including January 1, 2033 (the “Discount Bonds”), is less than the principal amount payable at maturity. As a result, the Discount Bonds will be considered to be issued with original issue discount. The difference between the initial public offering price of the Discount Bonds, as set forth on the inside cover page of this Official Statement (assuming it is the first price at which a substantial amount of that maturity is sold) (the “Issue Price” for such maturity), and the amount payable at maturity of the Discount Bonds will be treated as “original issue discount.”

The original issue discount on each of the Discount Bonds is treated as accruing daily over the term of such Discount Bond on the basis of the yield to maturity determined on the basis of compounding at the end of each six-month period (or shorter period from the date of the original issue) ending on January 1 and July 1 (with straight line interpolation between compounding dates).

A taxpayer who purchases a Discount Bond in the initial public offering at the Issue Price for such maturity and who holds the Discount Bond to maturity may treat the full amount of original issue discount as interest which is excludable from the gross income of the owner of that Discount Bond for federal income tax purposes and will not, under present federal income tax law, realize taxable capital gain upon payment of the Discount Bond at maturity.

Section 1288 of the Code provides, with respect to tax-exempt obligations such as the Discount Bonds, that the amount of original issue discount accruing each period will be added to the owners tax basis for the Discount Bonds. Such adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Discount Bonds (including sale, redemption or payment at maturity). Owners of Discount Bonds who dispose of Discount Bonds prior to maturity should consult their tax advisors concerning the amount of original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or other disposition of such Discount Bonds prior to maturity.

As described earlier in “Tax Matters,” the original issue discount that accrues in each year to an owner of a Discount Bond may result in certain collateral federal income tax consequences. Owners of any Discount Bonds should be aware that the accrual of original issue discount in each year may result in a tax liability from these collateral tax consequences even though the owners of such Discount Bonds will not receive a corresponding cash payment until a later year.

Owners who purchase Discount Bonds in the initial public offering but at a price different from the Issue Price for such maturity, should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of subsequent purchasers of bonds such as the Discount Bonds. It is possible under the applicable provisions governing the determination of state or local income taxes accrued interest on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year.

Owners of Discount Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Discount Bonds. It is possible under the applicable provisions governing the determination of state or local income taxes that accrued interest on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year.

## **Amortizable Bond Premium**

The initial offering price of the Series 2003A Bonds maturing on January 1, 2004 through and including January 1, 2017 (collectively, the “Premium Bonds”), is greater than the principal amount payable at maturity or call date. As a result, the Premium Bonds will be considered to be issued with amortizable bond premium (the “Bond Premium”). An owner who acquires a Premium Bond in the initial offering will be required to adjust the owner’s

basis in the Premium Bond downward as a result of the amortization of the Bond Premium, pursuant to Section 1016(a)(5) of the Code. Such adjusted tax basis will be used to determine taxable gain or loss upon the disposition of the Premium Bonds including sale, redemption or payment at maturity or call date. The amount of amortizable Bond Premium will be computed on the basis of the owner's yield to maturity, with compounding at the end of each accrual period. Rules for determining (i) the amount of amortizable Bond Premium and (ii) the amount amortizable in a particular year are set forth at Section 171(b) of the Code. No income tax deduction for the amount of amortizable Bond Premium will be allowed pursuant to Section 171(a)(2) of the Code, but the amortization of Bond Premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining other tax consequences of owning the Premium Bonds. Owners of the Premium Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the treatment of Bond Premium upon the sale or other disposition of such Premium Bonds and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Special rules governing the treatment of Bond Premium, which are applicable to dealers in tax-exempt securities, are found at Section 75 of the Code. Dealers in tax-exempt securities are urged to consult their own tax advisors concerning the treatment of Bond Premium.

### **ENFORCEABILITY OF REMEDIES**

The various legal opinions to be delivered concurrently with the delivery of the Series 2003A Bonds express the professional judgment of the attorneys rendering the opinions on the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to such transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

The remedies available to the Bond Bank Trustee or the holders of the Series 2003A Bonds upon a default under the Indenture; to the Authority Trustee or the Bond Bank under the 2003 Authority Bonds, the Ordinance or the purchase agreement for the 2003 Authority Bonds; or to any party seeking to enforce the pledges securing the Series 2003A Bonds or the 2003 Authority Bonds described herein (collectively the "Pledges"), are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the United States Bankruptcy Code), the remedies provided in the Indenture, the purchase agreement for the 2003 Authority Bonds, the 2003 Authority Bonds and the Ordinance, or to any party seeking to enforce the Pledges, may not be readily available or may be limited. Under federal and State environmental laws certain liens may be imposed on property of the Bond Bank or the Authority from time to time, but the Bond Bank has no reason to believe, under existing law, that any such lien would have priority over the lien on the Authority Bond Payments pledged to owners of the Series 2003A Bonds under the Indenture or over the liens on the Net Revenues pledged to the owner of the 2003 Authority Bonds under the Ordinance.

The various legal opinions to be delivered concurrently with the delivery of the Series 2003A Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by the valid exercise of the constitutional powers of the Bond Bank, the Authority, the City, the County, the State and the United States of America and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). These exceptions would encompass any exercise of the federal, State or local police powers (including the police powers of the Authority, the City and the County) in a manner consistent with the public health and welfare. Enforceability of the Indenture, the purchase agreement for the 2003 Authority Bonds, the Ordinance and the Pledges in a situation where such enforcement may adversely affect public health and welfare may be subject to these police powers.

## **APPROVAL OF LEGAL PROCEEDINGS**

Certain legal matters incident to the authorization, issuance, sale and delivery of the Series 2003A Bonds are subject to the approval of Ice Miller, Indianapolis, Indiana, Bond Counsel, whose approving legal opinion will be delivered with the Series 2003A Bonds, substantially in the form found as APPENDIX C. Certain legal matters will be passed on by the Corporation Counsel of the City of Indianapolis, Indiana, as General Counsel to the Bond Bank and the City, by Robert A. Duncan, Indianapolis, Indiana, special counsel for the Authority, and by Baker & Daniels, Indianapolis, Indiana, counsel for the Underwriters. Ice Miller also serves as bond counsel to the Authority.

## **RATINGS**

The Series 2003A Bonds are expected to be rated “Aaa” by Moody’s Investors Service (“Moody’s”), “AAA” by Standard & Poor’s Ratings Group, a division of McGraw-Hill (“S&P”), and “AAA” by Fitch Ratings (“Fitch”), with the understanding that Financial Security will deliver the Policy insuring the timely payment of the principal of, and interest on, the Series 2003A Bonds concurrently with the issuance of the Series 2003A Bonds. See “BOND INSURANCE.” The Series 2003A Bonds have received an underlying rating of “A1” by Moody’s, “A” by S&P, and “A+” by Fitch without taking into account the delivery of the Policy by Financial Security. These ratings reflect only the views of Moody’s, S&P and Fitch. Any desired explanation of the significance in such ratings should be obtained from Moody’s, S&P and Fitch, respectively. Such ratings are not a recommendation to buy, sell or hold the Series 2003A Bonds. There is no assurance that such ratings will remain in effect for any given period of time or that such ratings will not be lowered or withdrawn entirely by Moody’s, S&P and Fitch if, in their judgment, circumstances so warrant. The Underwriters have undertaken no responsibility either to bring to the attention of the owners of the Series 2003A Bonds any proposed revision or withdrawal of the ratings of the Series 2003A Bonds or to oppose any such proposed revision or withdrawal. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price or marketability of the Series 2003A Bonds.

## **UNDERWRITING**

The Series 2003A Bonds are being purchased by the Underwriters, as set forth on the cover page of this Official Statement. The Underwriters have agreed to purchase the Series 2003A Bonds at an aggregate purchase price of \$138,368,343 which represents the par amount set forth on the inside cover page hereof, plus net original issue premium of \$3,531,751, less an underwriter’s discount of \$972,161, less a bond insurance premium to be paid by the Underwriters of \$1,256,247, pursuant to a bond purchase contract entered into by and between the Bond Bank and the Underwriters. Such bond purchase contract provides that the Underwriters will purchase all of the Series 2003A Bonds if they are purchased. The initial offering price may be changed from time to time by the Underwriters.

The Underwriters have agreed to make a bona fide public offering of all of the Series 2003A Bonds at prices not in excess of the initial public offering prices set forth or reflected on the inside cover page of this Official Statement. The Underwriters may sell the Series 2003A Bonds to certain dealers (including dealers depositing Series 2003A Bonds into investments trusts) and others at prices lower than the offering prices set forth on the inside cover page hereof.

## **SERIES 2003A BONDS AS LEGAL INVESTMENTS**

Pursuant to the Act, all State financial institutions, investment companies, insurance companies, insurance associations, executors, administrators, guardians, trustees, and other fiduciaries may legally invest sinking funds, money, or other funds belonging to them or within their control in bonds or notes issued by the Bond Bank.

## **AGREEMENT WITH STATE**

The Act provides that the State will not limit or restrict the rights vested in the Bond Bank to fulfill the terms of any agreement made with the owners of the Series 2003A Bonds or in any way impair the rights or remedies of the owners of the Series 2003A Bonds for so long as the Series 2003A Bonds are outstanding.

## **AVAILABILITY OF DOCUMENTS AND FINANCIAL INFORMATION**

Audited financial statements of the Bond Bank are prepared annually and are presently available for the year ended December 31, 2001 and prior years. Those statements are not included herein because the Bond Bank is not obligated on the Series 2003A Bonds except to the extent of the Trust Estate. See APPENDIX B for the Authority's audited financial statements for the years ended December 31, 2001 and 2000.

Upon request and receipt of payment for reasonable copying, mailing and handling charges, the Bond Bank will make available copies of the most recent Authority financial reports, any authorizing or governing instruments defining the rights of owners of the Series 2003A Bonds or the owners of the 2003 Authority Bonds and available financial and statistical information regarding the Bond Bank and the Authority. Requests for documents and payments therefor should be directed and payable to Mr. Robert J. Clifford, Executive Director, The Indianapolis Local Public Improvement Bond Bank, Suite 2421, 200 East Washington Street, Indianapolis, Indiana 46204.

## **CERTAIN RELATIONSHIPS**

Lacy M. Johnson, President of the Authority Board, is a partner in Ice Miller, bond counsel for this transaction. H. Patrick Callahan, Vice President of the Authority Board, is a partner in Baker & Daniels, counsel to the Underwriters for this transaction. Ice Miller, under a contract with the Bond Bank, provides legal services to the Authority, including serving as bond counsel. Bank One, N.A., an affiliate of Bank One Trust Company, National Association, Authority Trustee and Bond Bank Trustee, provides a Letter of Credit to support the Authority's Commercial Paper program.

## **FINANCIAL ADVISOR**

First Albany Corporation, New York, New York ("First Albany"), will serve as financial advisor to the Bond Bank with respect to the sale of the Series 2003A Bonds. As the Bond Bank's financial advisor, First Albany has assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring, rating and issuance of the Series 2003A Bonds. In its role of financial advisor to the Bond Bank, First Albany has not undertaken either to make an independent verification of, or to assume responsibility for, the accuracy or completeness of the information contained in the Official Statement and the Appendices hereto.

## **CONTINUING DISCLOSURE**

Pursuant to continuing disclosure requirements promulgated by the Securities and Exchange Commission in SEC Rule 15c2-12, as amended (the "SEC Rule"), the Authority will enter into a Continuing Disclosure Undertaking Agreement (the "Undertaking") with the Authority Trustee ("Counterparty"), to be dated the date of delivery of the Series 2003A Bonds. The Authority is the only obligor under the SEC Rule. Pursuant to the terms of the Undertaking, the Authority will agree to provide the following information while any of the Series 2003A Bonds are outstanding:

- Audited Financial Statements. To the Bond Bank, each nationally recognized municipal securities information repository ("NRMSIR") then in existence and to the Indiana state information depository then in existence, if any ("SID"), when and if available, the audited comprehensive annual financial report of the Authority for each twelve (12) month period ending December 31st, beginning with the



twelve (12) month period ending December 31, 2002, together with the opinion of such accountants and all notes thereto, within sixty (60) days of receipt from the certified public accountants; and

- Financial Information in this Official Statement. To the Bond Bank, each NRMSIR then in existence and to the SID, within 210 days of each December 31st, beginning with the calendar year ending December 31, 2002, unaudited annual financial information for the Authority for such calendar year including operating data of the type included in the following sections of this Official Statement: “THE AIRPORT AND THE AIRPORT SYSTEM—Historical Airport Activity,” “CAPITAL IMPROVEMENT PROGRAM—Plan of Funding for 2001-2010 CIP,” “AIRPORT FINANCIAL INFORMATION—Historical Operating Results,” and in APPENDIX A—REPORT OF THE AIRPORT CONSULTANT—HISTORICAL AIRLINE TRAFFIC” and “—AIRLINE TRAFFIC ANALYSIS—Key Factors Affecting Future Airline Traffic” (collectively, the “Annual Information”).
- Event Notices. In a timely manner, to the Bond Bank, to each NRMSIR or to the Municipal Securities Rulemaking Board (MSRB), and to the SID notice of certain events listed in the Rule, if material with respect to the Series 2003A Bonds (which determination of materiality shall be made by the Authority in accordance with the standards established by federal securities laws).
- Failure to Disclose. In a timely manner, to the Bond Bank, each NRMSIR or to the MSRB, and to the SID notice of the Authority failing to provide the audited financial statements or Annual Information as described earlier.

The Authority and the Counterparty may, from time to time, amend or modify the Undertaking without the consent of or notice to the owners of the Series 2003A Bonds if either (a)(i) such amendment or modification is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the Authority, or type of business conducted; (ii) the Undertaking, as so amended or modified, would have complied with the requirements of the SEC Rule on the date of execution of the Undertaking, after taking into account any amendments or interpretations of the SEC Rule, as well as any change in circumstances; and (iii) such amendment or modification does not materially impair the interests of the holders of the Series 2003A Bonds, as determined either by (A) the Counterparty, the Bond Bank Trustee under the Indenture or nationally recognized bond counsel or (B) an approving vote of the holders of the Series 2003A Bonds pursuant to the terms of the Indenture at the time of such amendment or modification; or (C) such amendment or modification (including an amendment or modification which rescinds the Undertaking) is permitted by the SEC Rule, as then in effect.

The Authority and Counterparty may, at its sole discretion, use an agent in connection with the dissemination of any annual financial information required to be provided by the Authority pursuant to the terms of the Undertaking.

The purpose of the Undertaking is to enable the Underwriters to purchase the Series 2003A Bonds by providing for an undertaking by the Authority in satisfaction of the SEC Rule. The Undertaking is solely for the benefit of the owners of the Series 2003A Bonds and creates no new contractual or other rights for, nor can it be relied upon by, the SEC, underwriters, brokers, dealers, municipal securities dealers, potential customers, other obligated persons or any other third party. The sole remedy against the Authority for any failure to carry out any provision of the Undertaking shall be for specific performance of the Authority’s disclosure obligations under the Undertaking and not for money damages of any kind or in any amount or any other remedy. The Authority’s failure to honor its covenants under the Undertaking shall not constitute a breach or default of the Series 2003A Bonds, the Indenture, the 2003 Authority Bonds, the 2002 Supplemental Ordinance or any other agreement to which the Authority or Bond Bank is a party.

Except for the delayed filing of a continuing disclosure filing due June 30, 1998, as a result of an administrative oversight, the Authority has complied substantially with all obligations under its existing continuing disclosure agreements.

## MISCELLANEOUS

The references, excerpts, and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is made to all such documents for full and complete statements of all matters of fact relating to the Series 2003A Bonds, the security for the payment of the Series 2003A Bonds and the rights of the owners thereof. During the period of the offering, copies of drafts of such documents may be examined at the offices of the Underwriters; following delivery of the Series 2003A Bonds, copies of such documents may be examined at the offices of the Bond Bank.

The information contained in this Official Statement has been compiled from official and other sources deemed to be reliable, and while not guaranteed as to completeness or accuracy, is believed to be correct as of this date.

Any statements made in this Official Statement involving matters of opinions or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information presented herein since the date hereof. This Official Statement is submitted in connection with the issuance and sale of the Series 2003A Bonds and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract or agreement between the Bond Bank, the City, the County, the Authority, the Bond Bank Trustee, the Authority Trustee, the Registrar and Paying Agent or the Underwriters and the purchasers or owners of any Series 2003A Bonds. The delivery of this Official Statement has been duly authorized by the Board of Directors of the Bond Bank and the Authority Board.

THE INDIANAPOLIS LOCAL PUBLIC IMPROVEMENT  
BOND BANK

By: /s/ John J. Dillon III  
Chairman

INDIANAPOLIS AIRPORT AUTHORITY

By: /s/ Lacy M. Johnson  
President

Appendix A

REPORT OF THE AIRPORT CONSULTANT  
on the proposed issuance of  
INDIANAPOLIS AIRPORT AUTHORITY  
AIRPORT REVENUE BONDS, SERIES 2003A

Prepared for  
Indianapolis Airport Authority  
Indianapolis, Indiana

Prepared by  
Leigh Fisher Associates  
San Francisco, California

January 2, 2003

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January 2, 2003

Mr. Lacy M. Johnson  
President  
Indianapolis Airport Authority  
Indianapolis International Airport  
Indianapolis, Indiana 46241-4941

Re: Report of the Airport Consultant, Indianapolis Airport Authority Airport  
Revenue Bonds, Series 2003A

Dear Mr. Johnson:

We are pleased to submit this Report of the Airport Consultant on certain aspects of the proposed issuance of Indianapolis Airport Authority Airport Revenue Bonds, Series 2003A (the 2003A Bonds). The Indianapolis Airport Authority owns Indianapolis International Airport (the Airport), the Downtown Heliport, four operational general aviation airports—Eagle Creek Airpark, Hendricks County Airport, Metropolitan Airport, Mt. Comfort Airport, and Speedway Airport (collectively, the Reliever Airports). The Airport and the Reliever Airports make up the Airport System.

Since October 1, 1995, BAA Indianapolis LLC (BAAI) has operated, maintained, and managed the Authority's Airport System under a management agreement that extends through December 31, 2008.

The Authority retains certain powers and duties, including compliance with its obligations under all bond ordinances and other financing documents. The Authority makes the debt service payments on its various indebtedness directly to the Trustee or lender, as the case may be. In addition, the Authority directly contracts and makes payments for all capital improvement projects. (For a more complete description, see "Retained Powers of Authority" in the "Background" section of the attachment to this report.)

## **SERIES 2003A BONDS**

The 2003A Bonds are to be issued on parity with the Authority's Refunding Revenue Bonds, Series 1996A and Series 1998A. The 2003A Bonds are to be payable from Net Revenues of the Airport System and passenger facility charge (PFC) revenues.



Mr. Lacy M. Johnson  
January 2, 2003

The 2003A Bonds are to be issued under the Authority's General Ordinance No. 6-1985, as amended and supplemented (the Original Ordinance), and as further supplemented by General Ordinance No. 3-2002 (the 2002 Supplemental Ordinance), which was adopted by the Authority on December 20, 2002.

Also on December 20, 2002, the Authority adopted General Ordinance No. 4-2002 (the Revised Master Bond Ordinance) amending and restating the Original Ordinance. It is expected that the Revised Master Bond Ordinance will become effective with the issuance of the 2003A Bonds. By purchasing the 2003A Bonds, the owners of the 2003A Bonds will have irrevocably consented to the proposed amendments contained in the Revised Master Bond Ordinance, and the provisions of the Revised Master Bond Ordinance will also apply to the owners of all Outstanding Revenue Bonds. The financial forecasts presented in this report were prepared in accordance with the Revised Master Bond Ordinance. (See the Official Statement for a more detailed description of the Revised Master Bond Ordinance.)

General Ordinance No. 6-1985, and all amendments and supplements thereto, including the 2002 Supplemental Ordinance and the Revised Master Bond Ordinance, are referred to in this report and the attachment as the Ordinance.\*

The 2003A Bonds are being issued, together with other funds of the Authority, to:

- Pay at maturity \$41.0 million of subordinate Commercial Paper notes issued to refund the remaining portion of the Authority's Revenue Bonds of 1993 (the 1993 Bonds).
- Pay at maturity approximately \$24.0 million of subordinate Commercial Paper notes (issued previously to finance capital projects prior to 2001).
- Fund a portion of the approximately \$233.8 million of estimated costs of certain elements of the Airport's Capital Improvement Program (CIP) through 2003.
- Fund a deposit to the Revenue Bond Reserve Fund.

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\*Capitalized terms not otherwise defined in this report are used as defined in the Ordinance or the Airline Agreement, discussed later.



Mr. Lacy M. Johnson  
January 2, 2003

- Pay other costs incurred in connection with the issuance of the 2003A Bonds. The Authority expects to issue the 2003A Bonds, in the approximate principal amount of \$145.9 million, as fixed-rate bonds.

The 2003A Bonds are being issued, in part, to finance certain elements of the Airport's CIP through 2003. The debt service on the 2003A Bonds is to be paid from Net Revenues of the Authority and PFC revenues.\* In addition to the 2003A Bond proceeds, the Authority expects to use federal grants, additional PFC revenues, and other Authority funds to pay for costs in the CIP through 2003, including:

- Airfield and taxiway improvements.
- New security projects required following the terrorist attacks of September 11, 2001.
- Interim capacity improvements to the existing passenger terminal complex, including certain concessions and parking areas.
- Certain elements of the Midfield Terminal Program (as described later).
- Certain other capital projects, including land acquisition for noise mitigation.

The total cost of project elements in the CIP through 2003 is estimated by the Authority to be approximately \$233.8 million. (See Exhibit A in the Financial Analysis section of the attachment.) The Authority anticipates that the date of substantial completion of these projects will be December 31, 2003.

## **PLANNED BONDS**

The Authority expects to issue various series of additional Revenue Bonds as needed to fund the Airport's CIP. These additional bonds are referred to as "Planned Bonds" in this report. The proceeds of the Planned Bonds may be used to pay project costs, pay interest during construction, repay any subordinate

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\*To the extent that certain debt service amounts are paid with PFCs, those amounts are excluded from the Debt Service Requirement for purposes of meeting the Rate Covenant or complying with the requirements for issuing additional bonds, pursuant to the Ordinance.



Mr. Lacy M. Johnson  
January 2, 2003

Commercial Paper notes or other interim financing costs, meet the Revenue Bond Reserve Fund requirements for Planned Bonds, and pay issuance costs.

For purposes of this report, the Planned Bonds are estimated to be issued in the collective amount of approximately \$992.3 million. Of that amount, approximately \$785.6 million is to be issued with the Debt Service Requirement expected to be paid from Net Revenues of the Airport System. The Debt Service Requirement of the remaining amount (\$206.8 million) is expected to be paid with PFC revenues. To the extent that certain debt service amounts are paid with PFCs, those amounts are excluded from the Debt Service Requirement for purposes of meeting the Rate Covenant or complying with the requirements for issuing additional bonds, pursuant to the Ordinance.

## **SUBORDINATE COMMERCIAL PAPER NOTES**

The Authority has provided interim financing for implementation of the Airport's CIP. Under its Commercial Paper Program, the Authority may borrow up to \$75.0 million. Bank One, NA has provided a letter of credit that provides credit enhancement and liquidity for the payment of principal and interest on notes, which expires December 31, 2007.

As of October 1, 2002, \$24.0 million of subordinate Commercial Paper notes remained outstanding. This amount provided interim financing for certain capital projects prior to 2001, and is to be repaid from the proceeds of the 2003A Bonds. In addition, on November 27, 2002, the Authority issued \$41.0 million of subordinate Commercial Paper notes to refund the Authority's remaining principal outstanding on the 1993 Bonds. This amount is also to be repaid from the proceeds of the 2003A Bonds. After the 2003A Bonds are issued, the Authority will have no Commercial Paper outstanding. However, the Authority expects to continue financing certain projects with subordinate Commercial Paper notes or similar sources of Subordinate Securities. As shown in Exhibit A,\* approximately \$5.1 million of subordinate Commercial Paper notes is planned to finance certain elements of the Airport's CIP through 2003.

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\*The financial exhibits are provided at the end of the attachment to this report.





Mr. Lacy M. Johnson  
January 2, 2003

## **THE RATE COVENANT**

In the Ordinance, the Authority covenants that it will:

at all times fix, charge, impose and collect rentals, rates, fees and other charges for the use of the Airport System . . . in order that upon measurement in each Fiscal Year the Net Revenues, together with moneys in the Coverage Fund, will at all times be at least sufficient to equal the larger of either:

- (i) all amounts required to be deposited in such Fiscal Year to the credit of the Revenue Bond Interest and Principal Fund and the Revenue Bond Reserve Fund; or
- (ii) an amount not less than 125% of the annual debt service for all Revenue Bonds.

This provision is referred to as the Rate Covenant. The Ordinance allows consideration of amounts in the Prepaid Airline Fund and Coverage Fund for purposes of meeting the Rate Covenant.

## **PASSENGER FACILITY CHARGE PROGRAM**

The Authority's PFC program is administered in accordance with applicable PFC Regulations under Federal Aviation Regulations (FAR), Part 158.

### **PFC Approvals**

As approved by the Federal Aviation Administration (FAA), the Authority imposed a PFC of \$3 per eligible enplaned passenger from September 1993 through March 2001. Under this approval (through the beginning of 2001), the Authority was authorized to collect and use PFC revenues up to \$115.0 million to be applied toward FAA-approved Airport capital costs. On January 17, 2001, the Authority received approval from the FAA to increase its PFC from \$3.00 to \$4.50. Additionally, on March 28, 2001, the Authority received approval from the FAA to impose the \$4.50 PFC to collect PFC revenues up to \$533.9 million to fund estimated project and financing costs related to the Midfield Terminal Program.



Mr. Lacy M. Johnson  
January 2, 2003

The Authority is currently seeking “use approval” for the \$4.50 PFC to be applied to elements of the CIP, including the Midfield Terminal Program. The Authority plans to use PFC revenues for the direct payment of project costs (“pay-as-you-go”) and to pay certain debt service and interest and financing costs associated with the 2003A Bonds, Planned Bonds, and Subordinate Securities.

### **PFC Framework and Forecast Assumptions**

The Ordinance governs the use of PFC revenues, stating that:

From time to time the Authority may adopt an ordinance or resolution irrevocably designating certain revenues received by the Authority (and not otherwise treated as Gross Revenues) as Dedicated Revenues to be used exclusively to pay debt service on Revenue Bonds. In such resolution or ordinance, the Authority shall elect to exclude from the Debt Service Requirement, an amount of principal of and/or interest on Revenue Bonds in an amount equal to such Dedicated Revenues. If the Authority adopts an ordinance or resolution as described in this paragraph, the Authority shall transfer such Dedicated Revenues into the Revenue Bond Interest and Principal Fund at such time as is needed to pay such debt service when due.

This provision permits the Authority to exclude the debt service to be paid from PFC revenues from Debt Service Requirement for purposes of demonstrating debt service coverage under the Rate Covenant.

The financial forecasts presented in this report reflect the Authority’s intention to dedicate certain of its PFC revenues to be used exclusively to pay debt service on a portion of the 2003A Bonds, Planned Bonds, and Subordinate Securities with the assumption that PFC revenues are excluded from the definition of Gross Revenues, or otherwise. The amount of PFC revenues that the Authority intends to use to pay principal and interest on Debt Service Requirements is shown in Exhibit C. Any PFC revenues that the Authority intends to use for the payment of debt service are to be transferred from the PFC fund to the Revenue Bond Interest and Principal Fund as needed. The Authority intends to use the remaining PFC revenues collected to fund projects in the Airport’s CIP through 2010 on a pay-as-you-go basis.



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Although it is the Authority's intention, there is no assurance that the Authority will use PFC revenues to pay project costs on a pay-as-you-go basis or for the direct payment of debt service on a portion of the 2003A Bonds, Planned Bonds, and Subordinate Securities in the amounts described above and reflected in Exhibits A and B.

## **THE AIRLINE AGREEMENT**

The Authority and the airlines negotiated a new airline agreement that has been in effect since March 15, 2001. The following passenger and cargo airlines have entered into an Agreement and Lease of Premises (the Airline Agreement) with the Authority: America West Airlines, American Airlines, American Trans Air, Chautauqua Airlines, Continental Airlines, Delta Air Lines, FedEx, Northwest Airlines, Southwest Airlines, United Airlines, and US Airways (collectively referred to as the Signatory Airlines).

As part of the new Airline Agreement, the airlines have approved the development and construction of a new Midfield Terminal, with an estimated cost of \$939.0 million (in escalated dollars\*) and an expected Date of Beneficial Occupancy (DBO) of July 1, 2007. In Section 8.04 of the Airline Agreement, the Authority has agreed to use its best efforts to assure that, upon completion of the Midfield Terminal Program, the average projected cost per enplaned passenger and landing fee rate do not exceed Targeted Limits during the projection period—January 1, 2007, through December 31, 2010. Additionally, in Section 8.04, "The Authority and the Airline(s) agree the Targeted Limits are not a guaranty, but are targets to be used by the Authority in planning the Program. The Airline(s) and Authority recognize that the Targeted Limits may need to be increased or decreased" in accordance with changes in program scope, such as the federally mandated checked-bag screening project and other security measures.

The Airline Agreement establishes procedures for the review and adjustment of Signatory Airline Terminal Complex rental rates, Apron Area rental rates, and landing fees each Fiscal Year to ensure that the Gross Revenues of the Airport System are at least sufficient to meet the Operation and Maintenance Expenses of the Airport System, the Debt Service Requirements of the Authority's Outstanding Revenue Bonds and Subordinate Securities, and other funding requirements

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\*All project costs presented in this report were escalated to account for price inflation and construction indices.



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established by the Ordinance. The Airline Agreement expires on December 31, 2010.

## **CAPITAL IMPROVEMENT PROGRAM**

The Authority has a CIP for the Airport System from 2001 through 2010. Estimated project costs for all capital projects in the CIP through 2010 total approximately \$1.4 billion (in escalated dollars). The major element of the Authority's CIP is the new Midfield Terminal, which was originally estimated at \$939.0 million (in escalated dollars) and is now estimated to be \$974.0 million (in escalated dollars), including \$35.0 million for the federally mandated checked-bag screening project. The new Midfield Terminal is anticipated to open on July 1, 2007. Other elements of the CIP include new security projects, airfield capacity projects, taxiway improvements, roadway improvements, environmental mitigation projects, deicing controls, transmission line relocation, and projects associated with the Authority's noise program, many of which are eligible for federal and/or State grants.

The forecasts of Net Revenues and Debt Service Requirements presented in the exhibits accompanying this report reflect debt service on Planned Bonds that the Authority expects to issue during the forecast period to fund—together with available Airport System moneys, proceeds from subordinate Commercial Paper notes, and other sources of funds—the Authority's CIP for the Airport System through 2010. The Authority expects to use proceeds from the proposed 2003A Bonds, subordinate Commercial Paper notes, federal and State grants, PFC revenues, and other Authority funds to pay for certain elements of the Airport's CIP through 2003 and currently expects that a substantial portion of the projects to be undertaken in 2004 through 2010 are to be funded from the net proceeds of Planned Bonds. For purposes of this report, the Planned Bonds are assumed to be issued as parity bonds under the Ordinance.

## **SCOPE OF REPORT**

We have been retained by the Authority to serve as the Airport Consultant in connection with the issuance of the 2003A Bonds. Our report was undertaken to evaluate the ability of the Airport System to generate sufficient Net Revenues to meet the annual funding requirements of the Ordinance—including 125% coverage of Debt Service Requirements on the Outstanding 1996, 1998, and the



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2003A Bonds during each of the Fiscal Years (FY) \*2003 through 2010 (refer to the "Background "and "Financial Analysis" sections of the attachment). For the purposes of this report, the financial forecasts include the Planned Bonds.

In conducting our study, we analyzed:

- Future airline traffic demand at the Airport, giving consideration to the demographic and economic characteristics of the Indianapolis region; historical trends in airline traffic (passenger and cargo); the recovery in passenger traffic at the Airport since the terrorist attacks of September 11, 2001; recent airline service developments; and key factors that will affect future airline traffic.
- Estimated sources and uses of funds for the CIP through 2010, and resultant forecast annual Debt Service Requirements.
- Historical relationships among revenues, expenses, and airline traffic at the Airport and other factors that may affect future revenues and expenses of the Airport System.
- Audited financial results for 2001, the Authority's current estimate of Operation and Maintenance Expenses for 2002 and budgeted 2003 Operation and Maintenance Expenses, projected staffing requirements, and other operational considerations, including those associated with federally mandated security requirements at the Airport following the events of September 11, 2001.
- The Authority's ordinances, policies, and contractual agreements relating to the use and occupancy of Airport System facilities, including the calculation of airline rents and fees, the operation of concession privileges, and the leasing of buildings and grounds.
- The Management Agreement between the Authority and BAAI, including operational considerations, staffing requirements, the operation of public automobile parking facilities and other concession and service privileges as managed by BAAI, the various powers and responsibilities retained by the Authority, the contractual savings guaranteed to the Authority by

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\*Note: The Authority's Fiscal Year is the same as the calendar year.



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BAAI in the Management Agreement, and management compensation payments to BAAI by the Authority.

We also identified key factors upon which the future financial results of the Airport System may depend and formulated assumptions about those factors. On the basis of the assumptions, we assembled the financial forecasts presented in the accompanying exhibits:

Exhibit A	Capital Improvement Program
Exhibit B	Estimated Plan of Finance
Exhibit C	Historical and Forecast Debt Service Requirements
Exhibit D	Historical and Forecast Operation and Maintenance Expenses and Cost Center Allocations
Exhibit E	Historical and Forecast Nonairline Revenues
Exhibit F-1	Calculation of Airline Terminal Complex Rental Rates
Exhibit F-2	Calculation of Airline Apron Area Rental Rates
Exhibit F-3	Calculation of Signatory Airline Landing Fee Rates
Exhibit G	Forecast Application of Gross Revenues and Federal Payments
Exhibit H	Forecast Debt Service Coverage

The plan of finance (Exhibit B) and Debt Service Requirements (Exhibit C) were provided by the sources noted on the exhibits.

## **FORECAST DEBT SERVICE COVERAGE**

As indicated in the accompanying exhibits, Net Revenues of the Airport System together with consideration of amounts in the Prepaid Airline Fund and Coverage Fund, in accordance with the Ordinance, are forecast to be sufficient to meet the funding requirements of the Ordinance, including 125% coverage of Debt Service Requirements, in each year of the forecast period. The forecasts of Net Revenues (including consideration of amounts in the Prepaid Airline Fund and Coverage



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Fund), estimated Revenue Bond Debt Service Requirements, and estimated debt service coverage are summarized as follows:

Fiscal Year	Forecast Net Revenues (including amounts in the Prepaid Airline Fund and Coverage Fund)	Estimated Revenue Bond Debt Service Requirements (a)(b)	Estimated Revenue Bond debt service coverage ratio
	[A]	[B]	[A/B]
2003	\$49,468,000	\$24,930,000	1.98
2004	64,082,000	28,550,000	2.24
2005	79,412,000	40,315,000	1.97
2006	84,864,000	43,601,000	1.95
2007	92,314,000	43,855,000	2.10
2008	110,167,000	60,820,000	1.81
2009	114,226,000	59,881,000	1.91
2010	126,710,000	70,187,000	1.81

(a) Debt Service Requirements on the 2003A Bonds and Planned Bonds were provided by the Authority's financial advisor, and Debt Service Requirements on Outstanding Revenue Bonds were provided by the Authority.

(b) Estimated Revenue Bond Debt Service Requirements are shown net of dedicated PFC revenues.

For each Fiscal Year 2003 through 2010, Net Revenues together with consideration of amounts in the Prepaid Airline Fund and Coverage Fund are forecast to exceed 125% of the Debt Service Requirements for all Revenue Bonds. Therefore, the Rate Covenant is forecast to be met in each year of the forecast period. Revenue Bonds include the 1996 Bonds, the 1998 Bonds, the 2003A Bonds, and the Planned Bonds.

NOTE: A sensitivity analysis has been prepared to evaluate the effect on passenger airlines cost per enplaned passenger and debt service coverage assuming a slower recovery in enplaned passengers and airline landed weights (see page A-85).



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## AIRLINE COST PER ENPLANED PASSENGER

As shown in Exhibit G, airline rentals and fees include Terminal Complex rents, Apron Area rents, security fees, and landing fees. These passenger airline payments (costs) are expressed on a per enplaned passenger basis as follows:

	2003 (a)	2004	2005	2006	2007	2008	2009	2010
Passenger airline payments (cost)	\$27,801,000	\$31,542,000	\$35,713,000	\$34,153,000	\$39,629,000	\$47,841,000	\$50,031,000	\$55,468,000
Enplaned passengers	3,750,000	3,980,000	4,350,000	4,540,000	4,640,000	4,740,000	4,840,000	4,940,000
Airline cost per enplaned passenger	\$7.41	\$7.93	\$8.21	\$7.52	\$8.54	\$10.09	\$10.34	\$11.23

(a) Passenger airline payments are based on budgeted rates and charges.

## ASSUMPTIONS UNDERLYING THE FINANCIAL FORECASTS

The accompanying financial forecasts are based on information and assumptions that were provided by or reviewed with and agreed to by both the Authority and BAAI management. Accordingly, the forecasts reflect the Authority's and BAAI management's expected course of action during the forecast period and, in the Authority's and BAAI management's judgment, present fairly the expected financial results of the Airport System. The key factors and assumptions that are significant to the forecasts are set forth in the attachment, "Background, Assumptions, and Rationale for the Financial Forecasts." The attachment should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

In our opinion, the assumptions underlying the financial forecasts provide a reasonable basis for the forecasts. However, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of the report

\* \* \* \* \*





LEIGH FISHER ASSOCIATES  
*Consultants to Airport Management*

Mr. Lacy M. Johnson  
January 2, 2003

We appreciate the opportunity to serve as Airport Consultant to the Authority in connection with this proposed financing.

Respectfully submitted,

*Leigh Fisher Associates*

LEIGH FISHER ASSOCIATES

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Attachment

BACKGROUND, ASSUMPTIONS, AND RATIONALE  
FOR THE FINANCIAL FORECASTS

Indianapolis Airport Authority  
Indianapolis, Indiana

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## **BACKGROUND**

### **THE AIRPORT SYSTEM**

The Indianapolis Airport Authority owns the Airport System, which consists of Indianapolis International Airport (the Airport), the Downtown Heliport, and four general aviation airports—Eagle Creek Airpark, Hendricks County Airport, Metropolitan Airport, and Mt. Comfort Airport. In addition, the Authority owns Speedway Airport, located in western Marion County, which is not an operational airfield, and expects to dispose of this airport in 2003.

Indianapolis International Airport is the principal air carrier airport serving Indianapolis and central Indiana. According to statistics compiled by Airports Council International, Indianapolis International was the 50th largest airport in the United States in 2001 in terms of enplaned passengers. Indianapolis is classified as a medium air traffic hub by the Federal Aviation Administration (FAA).<sup>\*</sup> In 2001, 3,619,637 passengers were enplaned at the Airport.

### **THE AIRPORT**

As of October 2002, the Airport was served by 10 major/national and 10 regional/commuter passenger airlines, which together provided 162 daily scheduled departures, and one major all-cargo airline. The major/national airlines provide 96 daily nonstop departures from the Airport to 30 cities.

According to Airports Council International-North America, in 2001, the Airport ranked 8th overall in the United States in terms of total air cargo tonnage. Cargo activity at the Airport has increased significantly in the past decade. From 1990 to 2000, the amount of air cargo enplaned at the Airport increased an average of 14.4% per year. Since 1988, FedEx has operated an overnight package sorting hub facility at the Airport—one of its two primary national hubs. In addition, Emery Worldwide operated the U.S. Postal Service's national express mail hub facility at the Airport through August 31, 2001.

Located 7 miles west of downtown Indianapolis, the Airport occupies approximately 7,500 acres of land in Marion and Hendricks counties. The Airport has three runways, two of which—Runway 5R-23L (10,000 feet long) and Runway 5L-23R (11,200 feet long)—are equipped with Category III precision instrument landing

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<sup>\*</sup>A medium hub is defined as a community that enplanes between 0.25% and 0.99% of all passengers enplaned on certificated route air carriers in all services in the 50 states, the District of Columbia, and other designated territorial possessions of the United States. Indianapolis accounted for approximately 0.54% of all enplaned passengers in the United States in 2000, according to FAA statistics.

systems. Runways 5L-23R and 5R-23L have the necessary separation to allow for simultaneous independent operations. Crosswind Runway 14-32 is 7,600 feet long.

The current passenger terminal complex, including the terminal building, associated aircraft apron areas, automobile parking lots, and access roads, is on the northeast side of the Airport. The existing terminal building consists of approximately 711,000 square feet and has four concourses with 34 second-level-loading aircraft parking positions and five ground-level commuter aircraft gates. The current terminal complex is served by a two-level roadway connected to a roadway system that loops around a parking structure and surface parking lot, which together provide approximately 11,000 parking spaces.

## **THE AUTHORITY**

The Indianapolis Airport Authority is a municipal corporation that was created in 1962 by the City of Indianapolis (the City) and Marion County in accordance with the provisions of Indiana Code 19-6-2, which has been superseded by Indiana Code 8-22-3.

The Authority is governed by a seven-member board (the Board). Five members of the Board are appointed by the Mayor of the City, the sixth member is appointed by the Marion County Board of Commissioners, and the seventh member is appointed by the Hendricks County Board of Commissioners. Each member is appointed to a 4-year term. In addition, the Board has provision for two nonvoting advisory members, and two such members serve at the present time.

## **THE BAAI MANAGEMENT AGREEMENT**

On October 1, 1995, BAA Indianapolis LLC (BAAI) began operating, maintaining, and managing the Airport System for and on behalf of the Authority in accordance with an Agreement for the Operation and Maintenance of the Indianapolis International Airport Facilities (the Management Agreement). The Management Agreement, which does not constitute a lease or sale of Airport System facilities, extends through December 31, 2008. The Management Agreement, grants BAAI all necessary rights and powers to serve as an independent contractor for the operation, maintenance, and management of the Airport System. The Authority retains certain powers and duties, including compliance with its obligations under the Authority's General Ordinance authorizing the issuance of Bonds and other financing documents (see the section that follows entitled "Retained Powers of Authority").

All billings of the Authority and all remittances sent to the Authority are in the name of and made payable to the Authority. All Gross Revenues are deposited into the Airport System Fund, which is maintained by the Authority in the Authority's official depository bank. Withdrawals or transfers from the Airport System Fund

can only be made by the Authority. BAAI serves administratively as the Authority's agent for all such billings and remittances, but does not take title to, nor become owner of, any of these funds.

The Authority makes all debt service payments on its various indebtedness directly to the Trustee or the lender, as the case may be. The Authority also makes direct payments to its reserve funds as such may be required by the Ordinance or other loan documents. In addition, the Authority directly contracts and makes payments for all Capital Improvements.

The Management Agreement stipulates that BAAI cannot obligate the Authority to make expenditures beyond the Authority's annual operating budget as approved by the Board.

The Authority and BAAI are currently in negotiations to amend the Management Agreement (including compensation provisions) and expect that the terms of the amendment will be agreed to by both parties in January 2003. Although BAAI currently receives no fixed compensation or management fee for the operation, maintenance, and management of the Airport System, the Authority expects that the compensation provisions of the Management Agreement will likely be amended to provide for some level of fixed compensation. Further, the Authority does not expect that the total compensation to be paid to BAAI will materially increase from compensation paid in prior years. For the last 3 years, 1999 through 2001, BAAI has received compensation payments from the Authority amounting to approximately \$2.3 million per year.

## **RETAINED POWERS OF AUTHORITY**

As owner of the Airport System, the Authority retains the following responsibilities and powers:

- Compliance with covenants of the Ordinance
- Compliance with the Airline Agreements
- Compliance with FAA Airport Improvement Program (AIP) grant assurances
- Passenger and cargo air service development policies and implementation
- The issuance of debt in the Authority's name
- Airline/aviation rates and charges regulation
- Long-range planning
- Airport industrial and economic development policy and implementation
- Land acquisition policies
- Wetlands and environmental mitigation policies
- Capital expenditures
- Approval of its annual operating and capital budgets
- All other statutory powers not delegated to BAAI

As mentioned previously, the Authority makes all debt service payments on its various indebtedness.

## **CAPITAL IMPROVEMENT PROGRAM—MIDFIELD TERMINAL PROGRAM**

The Authority has a Capital Improvement Program (CIP) for the Airport System. Estimated project costs from 2001 through 2010, total approximately \$1.4 billion (in escalated dollars). The 2003A Bonds, the Planned Bonds, and other funds of the Authority (together with PFCs and federal grants-in-aid) are to be used to fund the CIP through 2010.

The Midfield Terminal Program involves construction of a new passenger terminal complex situated between the Airport's parallel runways—5L-23R and 5R-23L. Relocation of the Airport's terminal complex to a midfield location has been under consideration by the Authority since it was recommended in the 1975 Master Plan for the Airport. The site upon which the Midfield Terminal is to be constructed is an unencumbered "greenfield" site that has been reserved for Airport expansion since 1975.

Use of the site for the Midfield Terminal has been endorsed by the FAA through its approval of the 1975 Master Plan, 1991 Master Plan Update, subsequent related Environmental Impact Statement (EIS), PFC applications, and most recently, an FAA Letter of Intent for \$121 million.

The Midfield Terminal is designed to complement the Airport's widely spaced parallel runway system, enabling the full operational benefits of the runways to be realized by (1) moving aircraft gates closer to the ends of the runways, (2) reducing aircraft taxiing distances and times, and (3) eliminating the need for passenger aircraft to taxi across Runway 14-32 to reach the terminal complex.

The Midfield Terminal Program consists of a main terminal building enclosing ticketing, security, baggage make-up and claim areas, airline offices, and concessions and attached concourse(s) enclosing passenger holdrooms (approximately 40 air carrier aircraft gate positions), federal inspection services (FIS) facilities, airline ramp operations facilities, and additional concessions. Overall, the main terminal building and attached concourse(s) are expected to enclose approximately 1.2 million square feet of space.

On the airside, a new aircraft parking apron surrounding the Midfield Terminal building and supporting taxilanes and taxiways are to be constructed to ensure suitable aircraft circulation in and around the apron area. Additional taxiways are to be provided to the northeast and northwest of the Midfield Terminal complex. This taxiway system will enable efficient aircraft circulation into and out of the terminal area. Finally, to ensure that aircraft operations can be controlled safely and

efficiently, the Airport traffic control tower (ATCT) is to be relocated prior to completion of the Midfield Terminal.

On the landside, a new access roadway system is to be constructed from the west side of the airfield connecting to Interstate 70. In addition, short-term, long-term, and employee parking lots providing approximately 15,800 parking spaces will be constructed and will connect with the new access roadway system. New terminal and aviation support facilities, including a new central plant, are also included.

Construction of the Midfield Terminal and other elements of the CIP will substantially complete the development program for the Airport through the forecast period and the foreseeable future. According to the Authority, additional projects (such as a third parallel runway) would be undertaken only if there is demonstrated demand and if such projects are economically justified and financially feasible.

## **AIRLINE TRAFFIC ANALYSIS**

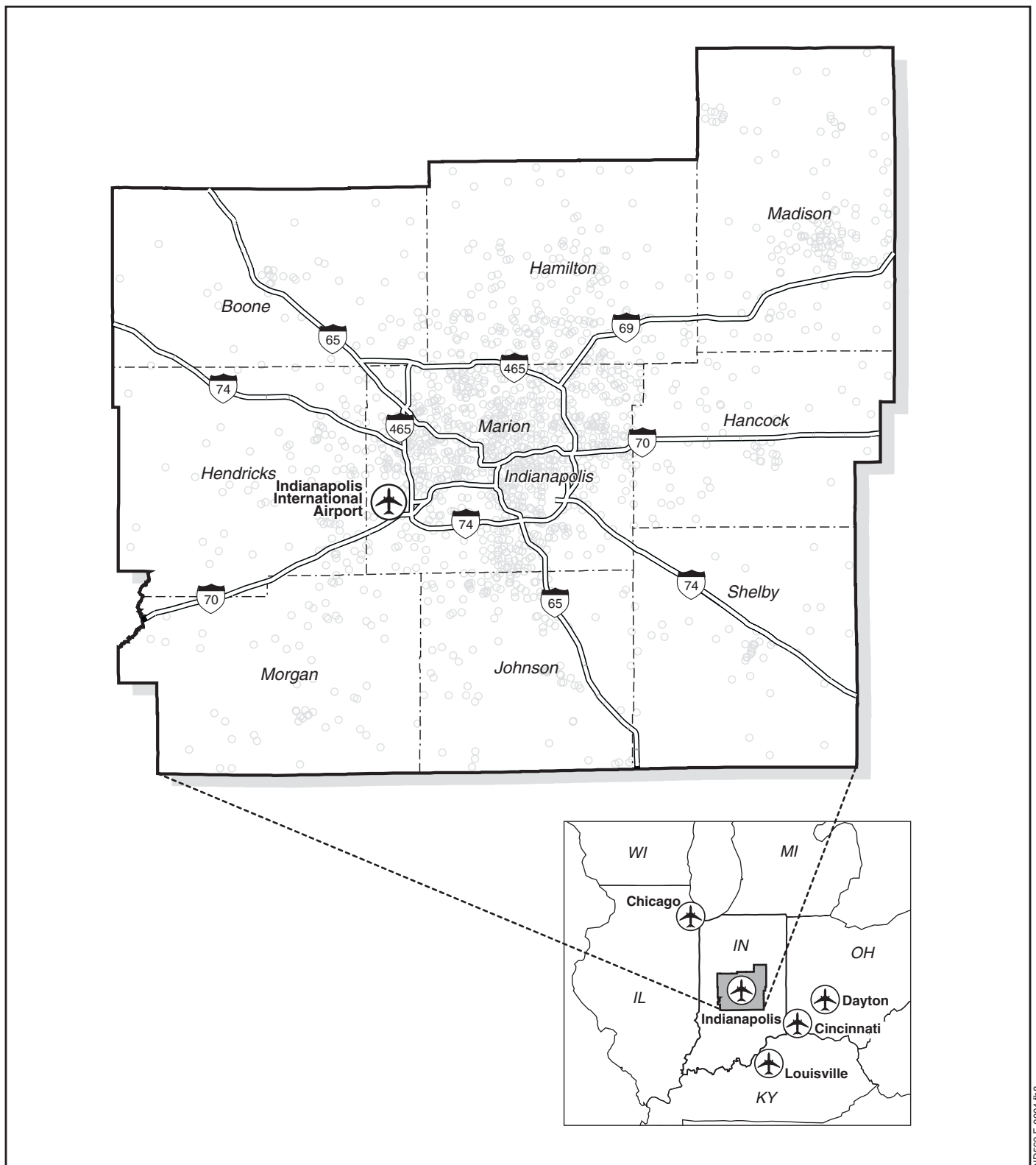
Total enplaned passengers at the Airport increased an average of 3.1% per year between 1990 and 2000, from about 2.9 million to about 3.9 million. The passenger airlines offered an average of 162 daily scheduled flights to 40 cities from Indianapolis as of October 2002.

According to the U.S. Department of Transportation (DOT), the Airport accommodates primarily origin and destination (O&D) traffic. About 95% of the Airport's passengers begin or end their air journeys at the Airport and 5% connect in Indianapolis on their way to and from other cities. The Airport also serves as a cargo hub for FedEx. According to data reported by Airports Council International, the Airport ranked 50th in the nation in terms of total passengers and 8th in terms of cargo tonnage in calendar year 2001.

### **AIRPORT SERVICE REGION**

As shown on Figure 1, the primary region served by the Airport consists of the nine-County Indianapolis Metropolitan Statistical Area (MSA)—Marion, Boone, Hamilton, Hancock, Hendricks, Johnson, Madison, Morgan, and Shelby counties. These nine counties are referred to in this report as the Airport service region. According to a survey conducted for the Authority in July 2002, the Airport service region accounted for 65% of the passengers beginning their air journeys at the Airport.

The primary service region is surrounded by a secondary service region, the limits of which are defined by the driving distance to other airports as well as by the availability, price, and quality of airline service at those other airports. As shown on Figure 1, the air carrier airports that have historically defined this secondary region are Cincinnati/Northern Kentucky International (110 miles southeast); Dayton International (120 miles east); Louisville International (120 miles south); and Chicago's O'Hare International and Midway (180-200 miles northwest). The driving distances from Indianapolis and the average number of daily departures from each of these airports are presented in Table 1.



# LEGEND




-  Air carrier airport
-  County boundary
-  Population density

Figure 1  
**AIRPORT SERVICE REGION**  
 Indianapolis International Airport  
 December 2002



LEIGH FISHER ASSOCIATES

Table 1

**DRIVING DISTANCES AND AVERAGE DAILY DEPARTURES AT AIR CARRIER  
AIRPORTS SURROUNDING THE AIRPORT SERVICE REGION**

Airport	Approximate driving distance from Indianapolis (miles)	Average number of daily scheduled departures		
		Air carrier	Commuter	Total
<b>Indianapolis International</b>	<b>--</b>	<b>96</b>	<b>66</b>	<b>162</b>
Cincinnati/Northern Kentucky International	110	165	412	577
Dayton International	120	19	67	86
Louisville International	120	41	58	99
Chicago Midway	180	233	87	320
Chicago O'Hare International	200	866	397	1,263

Source: BACK Associates, online data from Official Airline Guides, Inc.,  
October 2002.

According to data compiled by the U.S. Department of Commerce, Bureau of the Census, the nine-county Airport service region had a population of approximately 1.6 million in 2001. Table 2 shows the distribution of the 2001 population in the Airport service region by county. The estimated population of the secondary service region was approximately 1.2 million, resulting in an overall population of approximately 2.8 million served by the Airport.



Table 2  
**POPULATION DISTRIBUTION IN THE AIRPORT SERVICE REGION**  
2001

County	Estimated population	Percent of Indianapolis MSA
Marion	856,938	52%
Hamilton	197,477	12
Madison	132,352	8
Johnson	119,240	7
Hendricks	110,784	7
Morgan	67,513	4
Hancock	57,160	4
Shelby	43,580	3
Boone	47,408	3
Total	1,632,452	100%

MSA = Metropolitan Statistical Area, as defined earlier.

Source: U.S. Department of Commerce, Bureau of the Census, <http://factfinder.census.gov>.

## **PASSENGER CHARACTERISTICS**

Using airline data reported to the U.S. DOT for 2001, it was estimated that O&D passengers represented approximately 95% of total traffic at the Airport. According to Airport passenger surveys, as shown in Table 3, trip purpose has historically been fairly evenly divided between business and leisure travel. However, the survey data for 2002 indicate a slight reduction in the proportionate share of business traffic, in part as a result of changes in travel habits following the September 2001 terrorist attacks. While this phenomenon has occurred nationally as well, it does not necessarily represent a longer term trend. Finally, over two-thirds of passengers using the Airport are Indiana residents.

The demographic profile of passengers using the Airport indicates a strong traffic base. Because most of the traffic is O&D, it is generated by the population and economy of the region rather than the scheduling of service by the airlines. The large share of Indiana residents in the traffic base confirms the economic strength of the Airport service region, as discussed in the following section.

Table 3  
**AIRPORT MARKET CHARACTERISTICS**

	December 2000- July 2001	December 2001- July 2002
Business	48.6%	40.7%
Leisure	<u>51.4</u>	<u>59.3</u>
Total	100.0%	100.0%
Resident	66.1%	69.5%
Visitor	<u>33.9</u>	<u>30.5</u>
Total	100.0%	100.0%

Source: BAA Indianapolis, *Passenger Profile*, conducted in December - January and June - July.

## **ECONOMIC BASIS FOR AIRLINE TRAFFIC DEMAND**

This section presents data on the economy of the Indianapolis MSA and other determinants of passenger traffic, such as tourism. As the Airport's passenger traffic is primarily O&D, growth in the population, nonagricultural employment, and per capita income of the region are key drivers of airline traffic at the Airport. These key drivers will continue to be determinants of airline traffic growth at the Airport and they provide the basis for the forecasts that follow.

The Indianapolis MSA has a diverse economic base and is a financial, government, manufacturing, and transportation center for the State of Indiana. The diversity of economic activity contributed to the region's steady economic growth and growth in activity at the Airport over the past 20 years and mitigates the effects of sector downturns on the overall economy.

Projections of population, employment, and per capita personal income used in this report were as reported by the National Planning Association (NPA), Data Services Inc., a nationally recognized private firm that analyzes and projects trends by county across the United States.

### **Population**

As shown in Table 4, between 1980 and 2001, population in the Airport service region increased an average of 1.6% per year, compared with a 1.1% per year increase in the nation as a whole. According to the NPA, between 2001 and 2010,

population in the Airport service region is projected to increase an average of 0.8% per year, compared with an average increase of 1.1% per year in the nation as a whole.

Table 4  
**HISTORICAL AND PROJECTED POPULATION**

Year	Population (thousands)			Average annual increase		
	Indianapolis MSA (a)	Indiana	United States	Indianapolis MSA	Indiana	United States
Historical						
1980	1,167	5,490	226,546	--%	--%	--%
1990	1,250	5,544	248,718	0.7	0.1	0.9
2000	1,613	6,090	282,125	2.6	0.9	1.3
2001	1,632	6,115	284,797	1.2	0.4	0.9
1980-2001				1.6%	0.5%	1.1%
Projected						
2005	1,690	6,269	297,169	0.9%	0.6%	1.1%
2010	1,759	6,469	313,200	0.8	0.6	1.1
2001-2010				0.8%	0.6%	1.1%

(a) The Indianapolis MSA consists of Marion, Boone, Hamilton, Hancock, Hendricks, Johnson, Madison, Morgan, and Shelby counties. Madison County was added to the MSA in 1993, and is not included in the 1980 and 1990 data above.

Sources: Historical: U.S. Department of Commerce, Bureau of the Census, from [www.census.gov](http://www.census.gov), July 26, 2002.

Projected: National Planning Association, Data Services, Inc., *Key Indicators of County Growth, 1970-2025*, 2001 edition. Data for 2005 and 2010 were estimated by applying projected population growth rates.

## Employment

As shown in Table 5, nonagricultural employment in the Airport service region increased an average of 2.0% per year between 1980 and 2001, compared with 1.8% per year in the nation as a whole. According to the NPA, between 2001 and 2010, nonagricultural employment in the Airport service region is projected to increase an average of 1.4% per year, compared with an average increase of 1.6% per year in the nation as a whole.

Table 5  
**HISTORICAL AND PROJECTED NONAGRICULTURAL EMPLOYMENT**

Year	Jobs (thousands)			Average annual increase (decrease)		
	Indianapolis MSA	Indiana	United States	Indianapolis MSA	Indiana	United States
Historical						
1980	580	2,137	90,406	--%	--%	--%
1990	721	2,522	109,403	2.2	1.7	1.9
2000	892	3,000	128,916	2.3	1.5	1.9
2001	886	2,938	131,720	(0.7)	(2.1)	2.2
1980-2001				2.0%	1.5%	1.8%
Projected						
2005	945	3,095	141,348	1.6%	1.3%	1.8%
2010	1,008	3,259	151,970	1.3	1.0	1.5
2001-2010				1.4%	1.2%	1.6%

Sources: Historical: U.S. Department of Labor, Bureau of Labor Statistics, from [www.bls.gov](http://www.bls.gov), July 26, 2002.

Projected: National Planning Association, Data Services, Inc., *Key Indicators of County Growth, 1970-2025*, 2001 Edition. Data for 2005 and 2010 were estimated by applying projected employment growth rates.

In 2001, unemployment in Indianapolis was 3.8%, which compared favorably to the national unemployment rate of 4.8%.

## Income

As shown in Table 6, per capita personal income in the Airport service region has historically been higher than the average in the United States, increasing an average of 1.8% per year between 1980 and 2001 compared with 1.7% in the nation as a whole. According to the NPA, between 2001 and 2010, per capita personal income in the Airport service region is projected to increase an average of 1.5% per year compared with 1.7% per year in the nation as a whole.

Table 6  
**HISTORICAL AND PROJECTED PER CAPITA PERSONAL INCOME**

Year	Income (in 2000 dollars)			Average annual increase		
	Indianapolis MSA	Indiana	United States	Indianapolis MSA	Indiana	United States
Historical						
1980	\$21,805	\$19,747	\$21,281	--%	--%	--%
1990	26,654	23,210	25,787	2.0	1.6	1.9
2000	30,906	26,933	29,469	1.5	1.5	1.3
2001	31,532	27,582	30,152	2.0	2.4	2.3
1980-2001				1.8%	1.6%	1.7%
Projected						
2005	33,467	29,275	32,002	2.0%	2.4%	2.3%
2010	36,053	31,537	34,475	1.4	1.7	1.6
2001-2010				1.5%	1.8%	1.7%

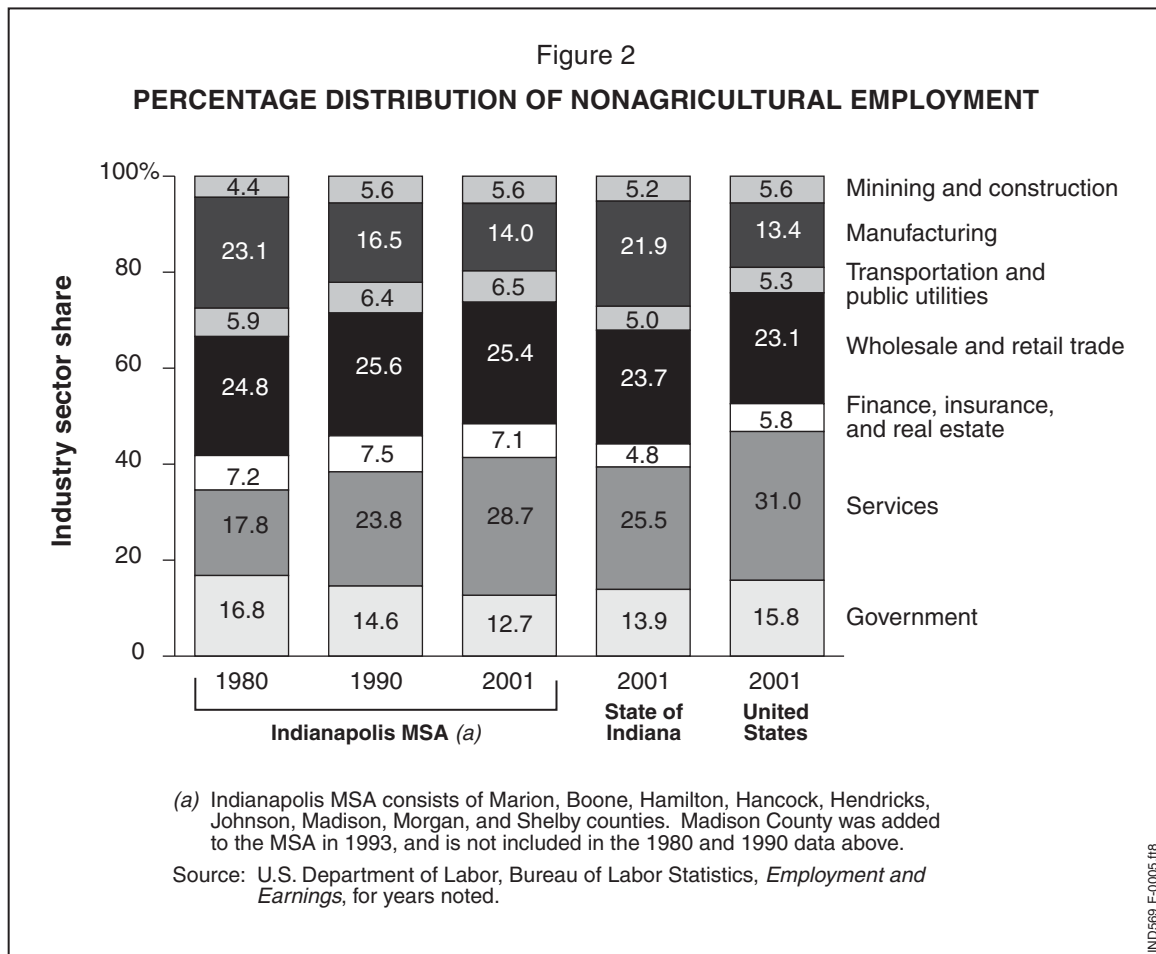
Sources: Historical: U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*, from [www.bea.gov](http://www.bea.gov), updated May 6, 2002. Adjusted to constant 2000 dollars using the Consumer Price Index published by the U.S. Department of Labor, Bureau of Labor Statistics, [www.bls.gov](http://www.bls.gov), July 26, 2002.

Projected: National Planning Association, Data Services, Inc., *Key Indicators of County Growth, 1970-2025*, 2001 Edition. Data for 2005 and 2010 were estimated by applying projected per capita income growth rates.

Over the last decade, certain high-wage industrial sectors in the Indianapolis MSA have expanded significantly. Growth has also occurred in service industries, which has, in turn, increased levels of exports and foreign investment.

## Employment by Industry Sector

Figure 2 shows the percentage distribution of employment in the major nonagricultural industry sectors in the Indianapolis MSA for 1980, 1990, and 2001 and in the State and the United States for 2001. Employment in services and trade accounted for more than half of total nonagricultural employment in the Indianapolis MSA and in the nation in 2001.



Indianapolis has a large services sector, led by health-service-related businesses such as Eli Lilly and Company. In addition, Indiana has a significant manufacturing sector that is quite diverse. Automobiles and steel are the largest components of the manufacturing sector, but together represent only 5.1% of total employment in the State.

## **Economy of the Airport Service Region**

Table 7 lists the largest employers in the Airport service region by number of employees in 2001. These entities represent about 27% of the nonagricultural employment in the Indianapolis MSA. Many of the companies listed rely on airline travel. The major employers in the area include industry leaders in the fields of pharmaceuticals, automobiles, aviation, health care and financial services.

## **Tourism**

Indianapolis offers numerous tourist attractions, some of which are nationally and internationally famous. The City hosts several professional automobile races annually, including the Indianapolis 500, the Brickyard 400, and the largest Formula 1 race in the world, the SAP United States Grand Prix. Indianapolis is home to professional sports teams, such as the National Football League's Indianapolis Colts, the National Basketball Association's Indiana Pacers, the Women's National Basketball Association's Indiana Fever, and arena football's Indianapolis Firebirds, as well as minor league baseball and hockey teams. Other popular attractions in Indianapolis include Circle Center Mall, Union Station, White River State Park, the National Collegiate Athletic Association's Headquarters and Hall of Champions, the Indiana State Museum, the Indianapolis Zoo, the Children's Museum of Indianapolis (the largest children's museum in the world), the Indianapolis Museum of Art, and the Eiteljorg Museum of American Indian and Western Art.

## **HISTORICAL AIRLINE TRAFFIC**

As of October 2002, 20 passenger airlines provided scheduled airline service at the Airport—10 major and national airlines and 10 regional and commuter airlines—as shown in Table 8. In addition, regularly scheduled all-cargo service at the Airport is provided principally by FedEx; other smaller cargo operators also serve the Airport.

Table 7  
**MAJOR EMPLOYERS IN THE INDIANAPOLIS MSA**  
2001

Employer	Type of business	Number of employees
1. City of Indianapolis	Government, education, and health care	68,500
2. State of Indiana	Government	27,700
3. Federal government	Government and armed services	16,300
4. Clarian Health (Methodist, Indiana University, and Riley Hospitals)	Health care	9,500
5. Eli Lilly and Company	Pharmaceutical products	9,400
6. Marsh Supermarkets	Grocers, retail	9,000
7. Community Hospitals Indianapolis	Health care	8,200
8. Indiana University-Purdue University Indianapolis	Higher education	7,000
9. St. Vincent Hospital and Health Care Center	Health care	6,000
10. The Kroger Company	Grocers, retail	5,500
11. Anthem, Inc.	Insurance and health care	5,000
12. Rolls-Royce	Gas turbine engine manufacturing	5,000
13. Bank One, Indianapolis, N.A.	Financial services	4,600
14. FedEx	Express mail service	4,300
15. Allison Transmission/Division of General Motors Corporation	Transmission manufacturing	4,000
16. Ameritech	Telecommunications	3,900
17. Conseco, Inc.	Insurance holding company	3,700
18. St. Francis Hospital and Health Centers	Health care	3,600
19. Wal-Mart	Department stores	3,300
20. United Airlines Maintenance Center	Aircraft maintenance	3,000
21. Delphi Energy and Chassis Systems	Automobile component manufacturing	3,000
22. Roman Catholic Archdiocese of Indianapolis	Religion and education	3,000
23. General Motors Metal Fabricating Division	Automobile body stamping	2,800
24. Visteon Corporation	Automobile component manufacturing	2,800
25. American Trans Air	Commercial airline	2,500
26. Roche Diagnostics	Medical device manufacturing	2,300
27. AES/IPALCO	Electric utility	2,200
28. United Parcel Service	Package delivery	2,200
29. CVS Pharmacy	Pharmacies	2,100
30. Brylane LP	Mail order distribution	2,100
31. Dow AgroSciences	Chemicals	2,100
32. Sallie Mae	Student loans	2,100
33. Guide Corporation	Automobile component manufacturing	2,000
34. Red Giant Foods, Inc.	Food products	2,000
35. Raytheon Technical Services	Aircraft components	2,000

Source: Indianapolis Chamber of Commerce, *Greater Indianapolis Databook*, May 2001.



Table 8  
**AIRLINES PROVIDING SCHEDULED SERVICE AT THE AIRPORT**  
October 2002

<b>Passenger Airlines</b>	
Major/national	Regional/commuter
America West Airlines	Air Canada Jazz
American Airlines	American Eagle
American Trans Air	Atlantic Coast Airlines (United Express)
Continental Airlines	Chautauqua Airlines (US Airways Express)
Delta Air Lines (a)	Chicago Express Airlines (ATA Connection)
Frontier Airlines	Comair (Delta Connection)
Northwest Airlines	ExpressJet (Continental Express)
Southwest Airlines	Mesa Airlines (US Airways Express)
United Airlines	Shuttle America (US Airways Express)
US Airways	Skyway/Astral Airlines (Midwest Express Connection)

**All-Cargo Airlines**

FedEx

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(a) Includes Delta Express.

Sources: Official Airline Guides, Inc., *Official Airline Guide* and Indianapolis Airport Authority records.

## Recent Trends in Airline Traffic

As shown in Table 9, growth in the total number of enplaned passengers at the Airport averaged 4.1% per year from 1980 to 2001. The decline in passenger traffic in 1993 coincided with the discontinuation of hub activity at the Airport by US Airways. Growth in the number of enplaned passengers was strong from 1994 through 1996, followed by continued slow but steady growth through 2000. The decline in 2001 was related to the terrorist attacks of September 11 and a slowing of the national economy.

Table 9  
**HISTORICAL ENPLANED PASSENGERS**  
Indianapolis International Airport  
1980-2002

Year	Major/ national airlines (a)	Regional/ commuter airlines	Total enplaned passengers	
			Number	Average annual percent increase (decrease)
1980	1,502,650	39,729	1,542,379	--%
1981	1,335,297	76,669	1,411,966	(8.5)
1982	1,304,911	86,259	1,391,170	(1.5)
1983	1,347,567	103,154	1,450,721	4.3
1984	1,490,643	99,967	1,590,610	9.6
1985	1,816,214	79,145	1,895,359	19.2
1986	2,050,019	90,851	2,140,870	13.0
1987	2,311,289	125,408	2,436,697	13.8
1988	2,437,200	148,744	2,585,944	6.1
1989	2,540,762	147,233	2,687,995	3.9
1990	2,631,135	220,680	2,851,815	6.1
1991	2,639,685	206,642	2,846,327	(0.2)
1992	2,856,831	315,400	3,172,231	11.4
1993	2,725,817	256,156	2,981,973	(6.0)
1994	3,017,549	226,571	3,244,120	8.8
1995	3,067,704	289,422	3,357,126	3.5
1996	3,229,798	309,346	3,539,144	5.4
1997	3,289,814	298,742	3,588,556	1.4
1998	3,290,584	360,943	3,651,527	1.8
1999	3,391,787	335,455	3,727,242	2.1
2000	3,470,067	404,555	3,874,622	4.0
2001	3,148,624	471,013	3,619,637	(6.6)
January-October				
2001	3,691,896	395,010	3,086,906	--%
2002	2,382,808	482,529	2,865,337	(7.2)
Average annual percent increase				
1980-1990	5.8%	18.7%	6.3%	
1990-2000	2.8	6.2	3.1	
1980-2000	4.3	12.3	4.7	
1990-2001	1.6	7.1	2.2	
1980-2001	3.6	12.5	4.1	

(a) Includes some commuter activity reported with major airline activity.

Source: Indianapolis Airport Authority records.

As shown in Table 10, O&D passenger traffic at the Airport increased an average of 3.4% per year from 1990 to 2001, while the number of connecting passengers decreased an average of 8.8% per year as a result of US Airways decreasing its connecting hub operations. The total number of enplaned passengers at the Airport increased an average of 2.2% per year from 1990 to 2001. Thus, actual traffic generation by the Indianapolis MSA from 1990 through 2001, as evidenced by the growth in O&D traffic, mitigated the effects of reduced connecting activity. Furthermore, relatively stronger growth in O&D traffic confirms the strength of the local economy. As previously mentioned, airline data reported to the U.S. DOT for 2001 indicate that an estimated 95% of total traffic at the Airport is O&D traffic.

Table 10  
**RELATIVE SHARES OF O&D VERSUS CONNECTING PASSENGERS**

	1990	1995	2001	Average annual increase (decrease) 1990-2001
Enplaned passengers				
O&D	2,382,380	3,123,175	3,449,499	3.4%
Connecting	<u>469,435</u>	<u>233,951</u>	<u>170,138</u>	(8.8)
Total	2,851,815	3,357,126	3,619,637	2.2%
Percent of total				
O&D	83.5%	93.0%	95.3%	
Connecting	<u>16.5</u>	<u>7.0</u>	<u>4.7</u>	
Total	100.0%	100.0%	100.0%	

Sources: U.S. Department of Transportation, Airline Passenger Origin and Destination Survey and T-100 Onboard Database.

The effects of the terrorist attacks in 2001 and economic recession are apparent in the statistics for the first 8 months of 2001 and 2002. Table 11 and Figure 3 present monthly trends in numbers of enplaned passengers at the Airport and nationwide prior to and after September 11, 2001. The number of enplaned passengers for the first 8 months (January through August) of 2002 was 11.1% lower than in the same period of 2001 and equal to the nationwide decrease. In October 2002, the number of enplaned passengers at the Airport increased 4.9% compared to October 2001 numbers, while nationwide passenger traffic increased 12.1%. The lower increase at the Airport in October 2002 compared to the nation as a whole is primarily a result of a lower decrease in October 2001 compared to the nation as a whole.

Table 11  
**MONTHLY ENPLANED PASSENGER TRAFFIC COMPARISON**

	Indianapolis International Airport (a)		United States (b)	
	Enplaned passengers (thousands)	Increase (decrease) from previous year	Enplaned passengers (thousands)	Increase (decrease) from previous year
2001				
January - August	2,598	0.3%	402,780	(0.1%)
September	202	(35.2)	30,676	(33.3)
October	287	(15.1)	38,424	(22.7)
November	262	(17.5)	39,049	(19.2)
December	<u>270</u>	(15.0)	<u>39,893</u>	(13.5)
Total	3,619	(6.6%)	550,822	(7.2%)
2002				
January	227	(14.3%)	37,730	(13.7%)
February	249	(10.5)	37,388	(11.6)
March	329	(10.8)	46,926	(9.8)
April	262	(11.8)	43,731	(12.9)
May	299	(9.2)	45,290	(10.3)
June	318	(11.3)	47,541	(10.4)
July	325	(10.2)	49,648	(10.3)
August	<u>301</u>	(11.5)	<u>50,058</u>	(10.2)
Total January-August	2,310	(11.1%)	358,312	(11.1%)
September	255	26.4	39,043	28.4
October	301	4.9	43,161	12.1

Note: Columns may not add to totals shown because of rounding.

(a) Source: Indianapolis Airport Authority records.

(b) Source: Air Transport Association of America, *Monthly Passenger Traffic Report*, September 2002.

Percent change versus same month, prior year

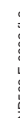


Table 12 shows airline market shares of enplaned passengers at the Airport in 1990, 1995, and 2001. Market shares have changed since 1990, as US Airways has downsized and other airlines have increased service. American Trans Air has been steadily increasing market share at the Airport and had the second largest market share in 2001 (13.4%). During the same timeframe, US Airways' market share decreased, from 38.7% in 1990 to 28.7% in 1995 and to 13.8% in 2001, which represented the largest market share at the Airport.

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10% or more market share and no airline having more than an 14% market share in 2001. The diversity of airline market share helps to ensure that competitive service is available at the Airport. In addition, the Airport traffic base is not dependent on the financial success or service provided by any one airline. Low-fare airlines American Trans Air, Southwest, and America West (in order of market share) collectively represent approximately 30% of the service provided at the Airport.

Table 12  
**HISTORICAL AIRLINE MARKET SHARES OF ENPLANED PASSENGERS**

Airline	Market share		
	1990	1995	2001
US Airways (a)	38.7%	28.7%	13.8%
American Trans Air (b)	4.5	10.1	13.4
Southwest Airlines	5.1	7.8	13.1
Northwest Airlines (c)	11.8	10.6	12.3
Delta Air Lines (d)	7.7	7.2	12.2
American Airlines (e)	14.0	13.4	12.1
United Airlines (f)	7.3	9.2	11.1
Continental Airlines (g)	5.2	6.3	6.9
America West Airlines	0.0	3.4	3.0
Other	5.7	3.3	2.1
Total	100.0%	100.0%	100.0%

(a) Includes US Airways Express.

(b) Includes ATA Connection.

(c) Includes Northwest Airlink.

(d) Includes Delta Connection.

(e) Includes American Eagle, American Connection, and TWA.

(f) Includes United Express.

(g) Includes Continental Express.

Source: Indianapolis Airport Authority records.

## **Origin and Destination Markets**

Table 13 presents the domestic passenger origin and destination markets with at least 1.0% market share for the Airport for the 12 months ended June 30, 2002 (the most recent 12-month period for which data were available at the time this report was written). Seven of the top 27 markets are short-haul routes (less than 500 miles), and the remaining 20 are medium- and long-haul routes (more than 500 miles).

As shown in Table 13, 23 of the top 27 O&D markets (85%) are served nonstop from the Airport. Cities with nonstop service include major business destinations and hubs on the East and West coasts, most midcontinent hubs, and leisure destinations in the desert Southwest and Florida.

## **Airline Service**

Table 14 shows daily scheduled passenger aircraft departures by airline as of October 2002 and Figure 4 illustrates the nonstop routes operated from the Airport. The Airport is served by most major and several national airlines operating to their midcontinent and East Coast hubs. In addition, point-to-point service is provided to major business destinations on the East and West coasts, such as New York (LaGuardia), Washington (Reagan National), Boston, and Los Angeles (Los Angeles International). A significant amount of nonstop service is also provided to leisure destinations in Florida and the desert Southwest. Finally, the Airport has international service to Cancun on American Trans Air, and to Air Canada's Toronto hub on Air Canada Jazz.

Since September 11, 2001, the Airport has attracted improved airline service. American Trans Air and Southwest Airlines have both initiated nonstop service to Los Angeles, Frontier Airlines has initiated service to Denver, and American Trans Air has initiated service to New York (LaGuardia). These route additions reflect that demand in Indianapolis supports continued growth in airline service at the Airport.

The variety of airline service to business, leisure, and international destinations contributes to the strength of traffic at the Airport. Nonstop service is provided to all regions of North America, most of which is provided on jet aircraft.

Table 13

**DOMESTIC ORIGIN AND DESTINATION MARKETS AND AIRLINE SERVICE**

Indianapolis International Airport  
12 months ended June 30, 2002

Rank	Market (a)	Air miles from Indianapolis	Annual passengers	Market share	Average daily nonstop departures (b)
1	Orlando	828	379,900	6.2%	4
2	Las Vegas	1,591	328,870	5.4	2
3	Los Angeles (c)	1,814	310,970	5.1	1
4	Washington D.C./Baltimore (d)	499	287,220	4.7	9
5	New York (e)	659	278,790	4.6	11
6	Tampa/Saint Petersburg (f)	838	271,740	4.5	2
7	Miami/Fort Lauderdale (g)	1,021	247,270	4.1	1
8	Fort Myers	946	203,390	3.3	1
9	Phoenix	1,489	195,450	3.2	3
10	Chicago (h)	177	193,560	3.2	31
11	San Francisco (i)	1,944	165,720	2.7	--
12	Dallas/Fort Worth (j)	762	153,780	2.5	6
13	Denver	977	142,560	2.3	3
14	Atlanta	432	137,270	2.3	7
15	Philadelphia	587	123,940	2.0	5
16	Houston (k)	845	122,680	2.0	4
17	Minneapolis/Saint Paul	503	114,920	1.9	5
18	Kansas City	451	102,600	1.7	1
19	San Diego	1,783	93,860	1.5	--
20	Detroit (l)	231	89,720	1.5	8
21	Seattle/Tacoma	1,866	89,650	1.5	--
22	Boston	817	85,940	1.4	3
23	Saint Louis	229	74,960	1.2	8
24	Jacksonville	688	69,030	1.1	1
25	Sarasota	876	65,690	1.1	1
26	Raleigh Durham	489	64,620	1.1	1
27	Hartford	728	60,420	1.0	--
	Cities listed		4,454,520	73.1%	118
	All other cities		1,624,160	26.9	41
	Total		6,078,680	100.0%	159

(a) Cities with 1% or more of domestic origin and destination passengers at Indianapolis International Airport as reported to the U.S. Department of Transportation, Airline Passenger Origin and Destination Survey.

(b) Official Airline Guides, Inc., for the 12 months ended June 30, 2002.

(c) Los Angeles International, Burbank-Glendale-Pasadena, John Wayne (Orange County), Ontario International, and Long Beach airports.

(d) Baltimore/Washington International, Washington Dulles International, and Ronald Reagan Washington National airports.

(e) John F. Kennedy International, LaGuardia, and Newark International airports.

(f) Tampa and Saint Petersburg-Clearwater international airports.

(g) Miami and Fort Lauderdale-Hollywood international airports.

(h) Chicago O'Hare International and Midway airports.

(i) San Francisco, Oakland and Mineta San Jose international airports.

(j) Dallas/Fort Worth International Airport and Love Field.

(k) George Bush Intercontinental and William P. Hobby airports.

(l) Detroit Metropolitan Wayne County and Detroit City airports.

Source: U.S. Department of Transportation, Airline Passenger Origin and Destination Survey, except as noted.

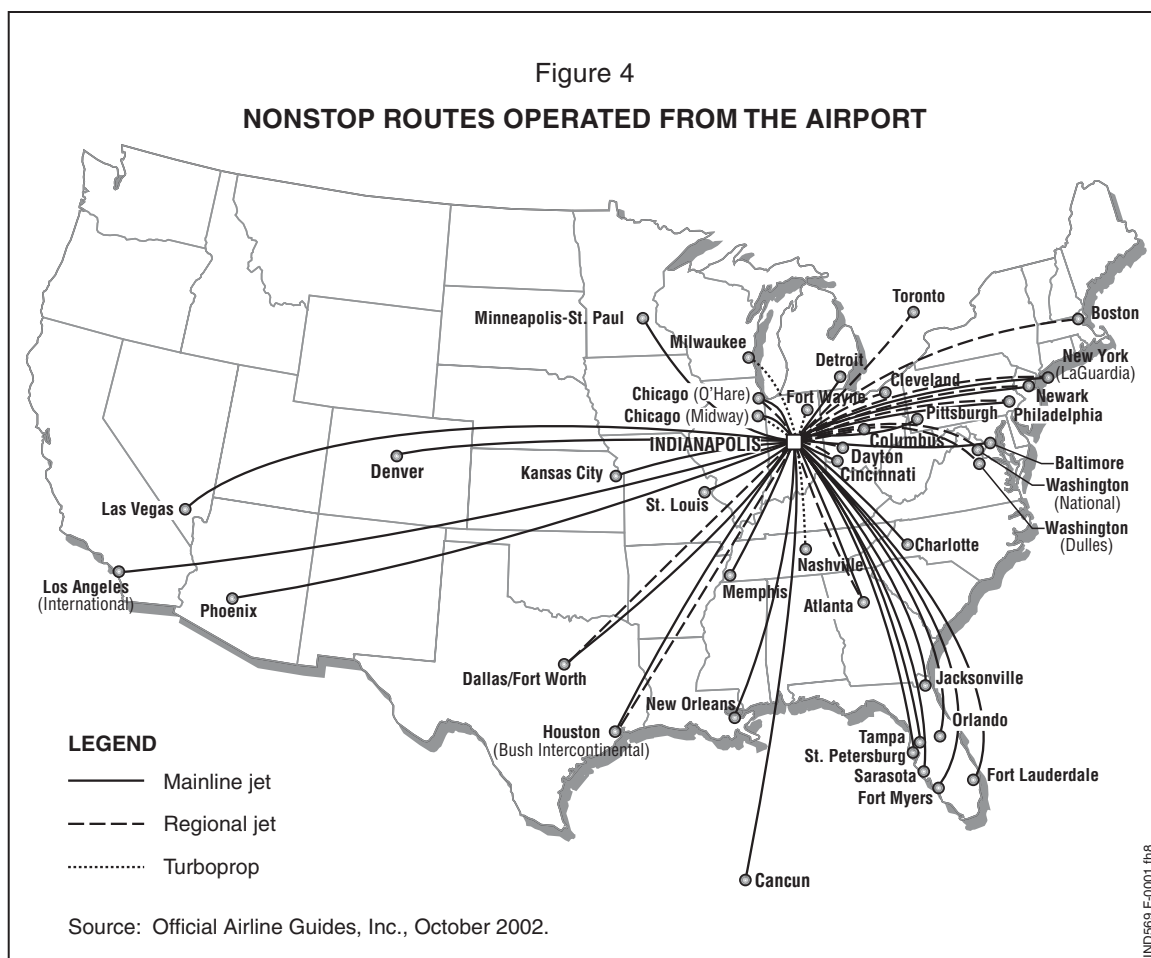


Table 14  
**DAILY SCHEDULED AIRLINE SERVICE**  
Indianapolis International Airport  
October 2002

Airline	Average daily departures
Major and national airlines	
America West Airlines	3
American Airlines	10
American Trans Air	11
Continental Airlines	6
Delta Air Lines (a)	9
Frontier Airlines	2
Northwest Airlines	17
Southwest Airlines	16
United Airlines	11
US Airways	<u>11</u>
Subtotal	96
Regional and commuter airlines	
Air Canada Jazz	3
American Eagle	9
Atlantic Coast Airlines (United Express)	5
Chautauqua Airlines (US Airways Express)	9
Chicago Express Airlines (ATA Connection)	10
Comair (Delta Connection)	15
ExpressJet (Continental Express)	5
Mesa Airlines (US Airways Express)	3
Skyway/Astral Airlines (Midwest Express Connection)	4
Shuttle America (US Airways Express)	<u>3</u>
Subtotal	<u>66</u>
Total	162

(a) Includes Delta Express.

Source: Official Airline Guides, Inc. *Official Airline Guide*, October 2002.



## Airline Fares

Historically, airline fares have also been a determinant of airline traffic demand in Indianapolis, as they have in the nation as a whole. The collective 30% market share of low-fare airlines American Trans Air, Southwest, and America West in 2001 assists in maintaining competitive airfares in the Indianapolis market as a whole.

Table 15 shows changes in fares at the top 10 O&D markets during the past 5 years—from 1997 through 2001. While airfares rose sharply in the nation as a whole, prompting consumer complaints, Table 15 illustrates that airfares in Indianapolis rose only 1% over the period. Furthermore, average fares in the Airport's top 10 markets have been lower than the overall average airfare, making travel to popular destinations more affordable.

As Table 16 illustrates, average fares at the Airport are lower than the national average. In addition, airfares at Indianapolis are lower than those at many neighboring airports.

Table 15

**AVERAGE ONE-WAY AIRFARES IN THE TOP 10 DOMESTIC  
ORIGIN AND DESTINATION MARKETS FROM INDIANAPOLIS**

Market	1997	1998	1999	2000	2001	Average annual increase (decrease) 1997-2001
Orlando	\$ 86	\$ 91	\$ 93	\$ 95	\$ 89	1%
Las Vegas	100	104	110	115	107	2
Los Angeles	144	145	150	149	136	(1)
Washington/Baltimore	152	146	144	133	126	(5)
New York	186	195	197	203	198	2
Tampa/St. Petersburg	91	97	96	100	90	0
Miami/Fort Lauderdale	97	104	112	122	108	3
Fort Myers	102	111	115	122	107	1
Phoenix	114	127	128	130	119	1
Chicago	70	76	78	83	84	5
Average, top 10 markets	\$113	\$119	\$121	\$125	\$116	1%
Average, all markets	\$136	\$139	\$141	\$149	\$140	1%

Source: U.S. Department of Transportation, Airline Passenger Origin and Destination Survey.

Table 16

**AVERAGE AIRFARE COMPARISON**

Indianapolis International Airport, Selected Other Midwest Airports, and U.S. Average  
2001

Market	Average one-way domestic airfare
Cincinnati	\$201
Chicago (O'Hare)	168
Cleveland	152
Dayton	152
St. Louis	144
<b>Indianapolis</b>	<b>140</b>
Columbus	134
Louisville	127
Chicago (Midway)	100
United States average	\$147

Source: U.S. Department of Transportation,  
Airline Passenger Origin and  
Destination Survey.

**Air Cargo Activity**

Table 17 presents data for cargo enplaned at the Airport from 1980 through October 2002. Total enplaned cargo at the Airport increased from 26,313 tons in 1980 to 615,810 tons in 2001, an average increase of 16.2% per year. In 2001, the all-cargo airlines accounted for approximately 97.8% of total enplaned cargo; the remaining cargo enplaned at the Airport was carried in the belly compartments of passenger airline aircraft. Approximately 71.1% of total enplaned cargo in 2001 was freight and express, and the remaining 28.9% was air mail.

The significant growth in air cargo activity at the Airport prior to 1994 was primarily the result of the hubbing activity of various all-cargo airlines. FedEx began operating an express package regional sort facility at the Airport in June 1988. The U.S. Postal Service (USPS) airmail activities at its Indianapolis hub ended on August 31, 2001, after which time FedEx took over the business and shifted much of this activity to its Memphis hub.

Table 17  
**HISTORICAL ENPLANED CARGO**  
Indianapolis International Airport  
1980-2002

Year	Tons			Annual percent increase (decrease)
	Air mail	Freight and express	Total	
1980	9,299	17,014	26,313	--%
1981	9,304	16,579	25,883	(1.6)
1982	9,195	9,853	19,048	(26.4)
1983	8,782	10,812	19,594	2.9
1984	9,442	25,138	34,580	76.5
1985	10,103	48,210	58,313	68.6
1986	10,861	48,351	59,212	1.5
1987	11,574	103,876	115,450	95.0
1988	9,993	119,401	129,394	12.1
1989	26,865	88,056	114,921	(11.2)
1990	60,449	107,763	168,212	46.4
1991	105,086	108,251	213,337	26.8
1992	80,358	155,396	235,754	10.5
1993	92,148	201,151	293,299	24.4
1994	111,815	186,965	298,780	1.9
1995	120,928	161,858	282,786	(5.4)
1996	117,999	217,101	335,100	18.5
1997	120,107	244,312	364,419	8.7
1998	168,418	285,408	453,826	24.5
1999	236,377	353,366	589,743	29.9
2000	226,607	421,236	647,843	9.9
2001	178,437	437,373	615,810	(4.9) (a)
January-October				
2001	168,952	357,843	526,795	--%
2002	11,050	409,505	420,555	(20.2) (a)
Average annual percent increase				
1980-1990	20.6%	20.3%	20.4%	
1990-2000	14.1	14.6	14.4	
1980-2000	17.3	17.4	17.4	
1990-2001	10.3	13.6	12.5	
1980-2001	15.1	16.7	16.2	

(a) Reflects the closure of the U.S. Postal Service hub at the Airport on August 31, 2001.

Source: Indianapolis Airport Authority records.

Through October 2002, enplaned cargo tonnage at the Airport decreased 20% compared with the same 10-month period of 2001. However, the decrease is entirely attributable to the 93% decrease in enplaned mail formerly handled at the U.S. Postal Service hub. Enplaned freight and express cargo increased 14% through the first 10 months of 2002 compared with the same period of 2001 as a result of increases in service by FedEx. FedEx's monthly enplaned cargo increased from 141 million pounds in January 2002 to 185 million pounds in October 2002.

FedEx's sorting facility at the Airport has grown to become the company's second largest operation and has been designed and developed to accommodate growth systemwide. FedEx conducts 50% of its activity at the Airport during the day, and anticipates building additional aircraft parking positions in the near future to accommodate growing demand. While FedEx is building additional sorting facilities at airports in Fort Worth (Alliance Airport) and Greensboro, North Carolina, those facilities are designed to serve as regional hubs. FedEx's facility at the Airport is designed to serve nationwide and worldwide destinations, and some of the company's A-380 jets are to be deployed for that purpose once they are delivered, expected to be between 2008 and 2010.

Table 18 shows the market shares of total cargo enplaned at the Airport in 2001 and through October 2002.

Table 18  
**ENPLANED CARGO MARKET SHARE**

Airline	2001	January-October 2002
Cargo airlines		
FedEx	68.1%	93.7%
USPS (a)	27.3	1.4
Other	<u>2.4</u>	<u>2.7</u>
Subtotal	97.8%	97.8%
Passenger airlines	<u>2.2</u>	<u>2.2</u>
Airport total	100.0%	100.0%

(a) Mail is carried by contract airlines. As of September 2001, the USPS contract was acquired by FedEx, with much of this activity shifted to Memphis International Airport.

Source: Indianapolis Airport Authority records.

FedEx has increased its market share of enplaned cargo from 68.1% in 2001 to 93.7% in the first 10 months of 2002, following closure of the USPS hub. Other cargo airlines and the passenger airlines had 4.1% and 2.2% market shares, respectively. Based on FedEx's expansion plans for its activity at the Airport and the passenger airlines' inability to carry mail, it is expected that FedEx will continue to be the dominant cargo carrier at the Airport.

## Landed Weight

As shown below in Table 19, the passenger airlines accounted for approximately 46.7% of total landed weight at the Airport in 2001; the cargo airlines accounted for the remainder. As Table 19 illustrates, the cargo airline share of landed weight at the Airport has increased significantly over the last decade, from 22.8% in 1990 to 53.3% in 2001.

Table 19  
**AIRLINE SHARES OF LANDED WEIGHT**

Airline	1990	1995	2001
<b>Passenger airlines</b>			
American Trans Air (a)	3.9%	7.2%	6.2%
US Airways (b)	28.1	18.1	7.6
Delta Air Lines (c)	6.7	4.4	4.6
American Airlines (d)	10.4	7.3	4.4
Northwest Airlines	8.0	6.8	6.2
Southwest Airlines	5.0	5.5	6.6
United Airlines (e)	4.9	5.3	4.1
Continental Airlines (f)	6.4	4.2	2.7
America West Airlines	--	2.4	1.2
Other	<u>3.8</u>	<u>2.8</u>	<u>3.1</u>
Subtotal	77.2%	64.0%	46.7%
<b>Cargo and charter airlines</b>			
FedEx	13.9%	21.4%	33.3%
Emery Worldwide (USPS hub) (g)	7.4	12.6	20.0 (g)
Other	<u>1.5</u>	<u>2.0</u>	<u>--</u>
Subtotal	<u>22.8%</u>	<u>36.0%</u>	<u>53.3%</u>
Total	100.0%	100.0%	100.0%

(a) Includes Chicago Express Airlines (ATA Connection).

(b) Includes Chatauqua Airlines, Mesa Airlines, and Shuttle America (US Airways Express).

(c) Includes Delta Express, Atlantic Coast Airlines, and Comair (Delta Connection).

(d) Includes TWA, American Connection, and American Eagle.

(e) Includes Atlantic Coast Airlines (United Express).

(f) Includes ExpressJet (Continental Express).

(g) As of September 2001, the USPS contract was acquired by FedEx, with much of the activity shifted to Memphis International Airport.

Source: Indianapolis Airport Authority records.

Table 20 shows the historical trend in landed weight at the Airport from 1980 through October 2002. From 1980 to 2001, total landed weight at the Airport increased an average of 5.2% per year. Landed weight increased 17.0% in 1999 following the establishment of FedEx's sorting facility at the Airport. Landed weight decreased 0.2% in 2001 as the U.S. Postal Service ended its contract with Emery Worldwide, which operated a postal hub at the Airport. While landed weight will decrease in 2002 for this reason, FedEx's continued increase in capacity at its sorting facility at the Airport is expected to cause landed weight to increase over the forecast period (through 2010).

### **Aircraft Operations**

Table 21 presents the numbers of historical aircraft operations (landings and takeoffs) at the Airport from 1980 through October 2002 for air carrier, air taxi and commuter, general aviation, and military operations. Generally, air carrier and air taxi/commuter operations have changed along with trends in passengers and the hubbing activities of passenger and cargo airlines. General aviation and military operations have decreased from their peak historical levels.

### **KEY FACTORS AFFECTING FUTURE AIRLINE TRAFFIC**

Besides the development of the economy of the Airport Service Region, discussed earlier, key factors that will affect airline traffic at Indianapolis International Airport are:

- National and international economic and political conditions
- Aviation security concerns
- Airline service and routes
- Airline airfares and competition
- Airline industry economics
- Airline consolidation and alliances
- Availability and price of aviation fuel
- Capacity of the national air traffic control and airport systems
- Capacity of the Airport

### **National and International Economic and Political Conditions**

Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. Recession in the U.S. economy in 2001 and a weak economy in 2002 contributed to reduced passenger traffic during those years. Future increases in passenger traffic will depend largely on the ability of the nation to sustain growth in economic output and income.



Table 20  
**HISTORICAL LANDED WEIGHT**  
Indianapolis International Airport  
1980-2002

Year	1,000-pound units			Annual percent increase (decrease)
	Passenger airlines	Cargo airlines	Total	
1980	3,743,264	395,726	4,138,990	--%
1981	3,637,956	424,440	4,062,396	(1.9)
1982	3,596,781	310,492	3,907,273	(3.8)
1983	3,643,890	318,964	3,962,854	1.4
1984	3,958,704	580,022	4,538,726	14.5
1985	4,240,579	791,780	5,032,359	10.9
1986	4,943,920	813,976	5,757,896	14.4
1987	4,684,043	1,280,940	5,964,983	3.6
1988	5,121,259	1,267,398	6,388,657	7.1
1989	5,153,614	1,423,194	6,576,808	2.9
1990	5,555,566	2,020,626	7,576,192	15.2
1991	5,502,161	2,609,914	8,112,075	7.1
1992	5,521,888	2,836,703	8,358,591	3.0
1993	5,347,934	2,708,971	8,056,905	(3.6)
1994	5,518,337	2,797,955	8,316,292	3.2
1995	5,389,127	3,032,732	8,421,859	1.3
1996	5,218,895	3,216,958	8,435,853	0.2
1997	5,257,236	3,471,220	8,728,456	3.5
1998	5,183,896	4,361,753	9,545,649	9.4
1999	5,599,443	5,568,347	11,167,790	17.0
2000	5,865,754	6,037,796	11,903,550	6.6
2001	5,550,094	6,328,910	11,879,004	(0.2)
January-October				
2001	4,714,896	5,368,124	10,083,020	--%
2002	4,535,244	3,824,903	8,378,147	(16.9)
	Average annual percent increase (decreased)			
1980-1990	4.0%	17.7%	6.2%	
1990-2000	0.5	11.6	4.6	
1980-2000	2.3	14.6	5.4	
1990-2001	(a)	10.9	4.2	
1980-2001	1.9	14.1	5.2	

(a) Decreased less than 0.1%.

Source: Indianapolis Airport Authority records.

Table 21  
**HISTORICAL AIRCRAFT OPERATIONS**  
Indianapolis International Airport  
1980-2002

Year	Air carrier	Air taxi/ commuter	General aviation	Military	Total operations	
					Number	Annual percent increase (decrease)
1980	63,378	25,940	97,705	4,196	191,219	--%
1981	60,508	33,740	80,940	4,087	179,275	(6.2)
1982	56,869	38,138	74,830	3,690	173,527	(3.2)
1983	58,726	43,373	74,288	4,305	180,692	4.1
1984	64,976	46,063	80,297	2,721	194,057	7.4
1985	70,141	48,866	77,313	2,765	199,085	2.6
1986	84,745	50,203	70,716	3,039	208,703	4.8
1987	86,317	54,208	71,489	3,896	215,910	3.5
1988	96,731	52,749	67,742	3,012	220,234	2.0
1989	101,567	41,065	58,035	2,577	203,244	(7.7)
1990	114,187	55,779	56,103	2,271	228,340	12.3
1991	120,611	58,886	52,222	1,723	233,442	2.2
1992	121,320	79,184	50,441	1,639	252,584	8.2
1993	108,606	70,045	50,365	2,394	231,410	(8.4)
1994	113,886	73,671	51,789	2,001	241,347	4.3
1995	116,238	75,237	53,890	2,778	248,143	2.8
1996	106,184	72,138	52,889	1,898	233,109	(6.1)
1997	108,087	70,902	53,932	2,460	235,381	1.0
1998	89,345	96,430	54,430	2,335	242,540	3.0
1999	127,683	68,301	54,787	1,992	252,763	4.2
2000	133,257	72,519	53,104	1,897	260,777	3.2
2001	115,241	82,311	44,847	1,533	243,932	(6.5)
January-October						
2001	100,156	69,470	38,962	1,339	209,927	--%
2002	75,306	61,426	34,083	1,213	172,028	(18.1)
Average annual percent increase (decrease)						
1980-1990	6.1%	8.0%	(5.4%)	(6.0%)	1.8%	
1990-2000	1.6	2.7	(0.5)	(1.8)	1.3	
1980-2000	3.8	5.3	(3.0)	(3.9)	1.6	
1990-2001	0.2	3.6	(2.0)	(3.5)	0.6	
1980-2001	2.9	5.7	(3.6)	(4.7)	1.2	

Source: Indianapolis Airport Authority records.

With the globalization of business and the increased importance of international trade, growth in the U.S. economy has become more closely tied to economic and political conditions worldwide. As a result, international economics, currency exchange rates, trade balances, political relationships, and hostilities among nations are now important influences on passenger traffic at major U.S. airports. Future increases in both domestic and international passenger traffic will depend on stable international relationships and global economic growth.

### **Aviation Security Concerns**

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of potential international hostilities and terrorist attacks, influence passenger travel and airline travel demand. Such concerns have intensified in the aftermath of the terrorist attacks in September 2001. Travel behavior is affected by anxieties about the safety of flying and by the inconveniences and delays associated with more stringent security screening procedures, both of which can result in the avoidance of airline travel or the use of surface travel modes for short-haul trips.

Since September 2001, intensified security measures have been instituted by government agencies, airlines, and airport operators. These measures include strengthening of aircraft cockpit doors, changes to prescribed flight crew responses to attempted hijackings, increased use of armed sky marshals, federalization of airport security functions under the Transportation Security Administration (TSA), and revised procedures and techniques for screening passengers and baggage for weapons and explosives.

Nevertheless, the possibility of intensified international hostilities and further terrorist attacks involving commercial aviation are continuing concerns that may affect future travel behavior and airline passenger demand. Also of concern is the potential for increased inconvenience and delays at many airports as the TSA implements a Congressional mandate for 100% screening of checked baggage for explosives.

Historically, airline travel demand has recovered after temporary decreases related to security concerns stemming from terrorist attacks, hijackings, aircraft crashes, and international hostilities. Provided that the intensified security precautions now being implemented in the United States and elsewhere are effective in restoring confidence in the safety of commercial aviation while not imposing unacceptable inconveniences and delays for air travelers, it can be expected that future demand for airline travel at the Airport will depend primarily on economic, not security, factors.

## **Airline Service and Routes**

Although passenger demand at an airport depends largely on the population and economy of the region served, airline service and the number of passengers enplaned also depend on the route networks of the airlines serving that airport. Most major airlines have developed hub-and-spoke route networks as a means of increasing their service frequencies, passenger numbers, and profitability.

If airlines were to change their hub-and-spoke networks, Indianapolis, as a spoke market, could be affected.

## **Airline Airfares and Competition**

As discussed earlier, airline fares have an important effect on passenger demand, particularly for relatively short trips where the automobile or other travel modes are alternatives and for price-sensitive “discretionary” travel, such as leisure travel. Airfares are influenced by airline operating costs and debt burden, passenger demand, capacity and yield management, market presence, and competition.

A large part of the typical airfare paid by passengers is now accounted for by taxes, fees, and other charges assessed by governmental and airport agencies. Charges added to domestic airline tickets consist of (1) federal ticket taxes assessed as a percentage of the base airfare (7.5%), (2) federal ticket taxes assessed per flight segment (\$3.00 per segment), (3) passenger facility charges (up to \$18.00 per round trip), and (4) security fees (up to \$10.00 per round trip). Such taxes and charges can account for 20% or more of the cost of short-haul and low-fare tickets and have a proportionate effect on depressing travel demand. Additional fees and charges are assessed on international tickets.

In an attempt to stimulate passenger traffic and maintain their market shares, the airlines reduced airfares early in 2001 and, following the events of September 11, 2001, reduced airfares further. Concern has been expressed by industry analysts about the sustainability of the current “revenue model” of most of the major airlines, which involves uneconomically low discount fares made available to many leisure travelers and exorbitantly high “walk-up” fares that must be paid by many business travelers.

In many air travel markets nationwide, price competition is provided by new entrant and other airlines with lower cost structures. At Indianapolis International Airport, American Trans Air, America West, and Southwest provide such competition. While the nature and extent of such “low-fare” competition varies from airport to airport, most large origin-destination passenger markets have attracted low-fare airline service and passenger traffic has increased as a result. Continued increases in passenger traffic at the Airport will depend on the continued availability of competitive airfares and service.

Since September 11, 2001, most of the major airlines have reduced their systemwide seat capacity while the low-fare airlines have generally increased seat capacity. As a result, the share of domestic airline revenue-passenger-miles accounted for by the low-fare airlines increased from 7.7% in the first 6 months of 2001 to 9.2% in the first 6 months of 2002.\* In the mid-1990s, many of the major airlines established their own low-fare divisions, such as Delta Express, US Airways MetroJet, and United Shuttle, to compete with Southwest and other low-fare airlines. In response to the economic difficulties that followed the events of September 11, 2001, most of these operations have been discontinued or reduced.

In response to economic pressures, most of the major airlines have, particularly over the last 3 years, transferred marginally profitable routes from their mainline to regional airline affiliates operating regional jet or turboprop aircraft. This trend has accelerated since September 2001. Nationwide, the share of domestic airline revenue-passenger-miles accounted for by the national and regional airlines increased from 6.0% in the first 6 months of 2001 to 8.1% in the first 6 months of 2002. A continuation of this trend is foreseen nationwide, although it may be limited by scope clauses of labor agreements with pilots' unions restricting the number of regional jet aircraft that may be operated.

## **Airline Industry Economics**

Weak passenger demand resulting from the 1990-1991 economic recession and the war in the Persian Gulf, coupled with increases in fuel, security, and other operating costs, generated then-record financial losses in the U.S. airline industry from 1990 through 1992. These losses put particular pressures on financially weak or highly indebted airlines, forcing some to seek bankruptcy protection, sell productive assets, lay off workers, reduce service, or discontinue operations.

Between 1995 and 2000, the airline industry as a whole was profitable. As a result of recession in the U.S. economy in 2001 and the disruption of the airline industry following the September 2001 terrorist attacks, the industry has again experienced huge financial losses. The major airlines collectively recorded net losses totaling \$7.4 billion in 2001 and are projected by industry analysts to lose as much as \$5.5 billion in 2002. Continued losses are projected by most industry analysts at least through 2003.

To offset some of the extraordinary financial losses associated with the loss of passenger traffic following September 2001, the U.S. government awarded grants totaling \$5.0 billion to the U.S. airline industry at the end of 2001. The government also established a \$10 billion loan guarantee program. Among the major airlines,

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\*As defined by the U.S. DOT, currently operating low-fare airlines include AirTran, America West, American Trans Air, Frontier, JetBlue, Southwest, Spirit, and Sun Country.

America West and American Trans Air have been granted loan guarantees; and US Airways has been granted a conditional loan guarantee. Frontier's application for a loan guarantee has also been conditionally approved. An application from United was rejected on December 4, 2002.

On August 11, 2002, US Airways—which accounted for about 13% of passengers enplaned at the Airport in 2001—filed for Chapter 11 bankruptcy protection. While the airline is continuing operations, service has been reduced on certain routes and flights. In addition, on December 9, 2002, United Airlines filed for Chapter 11 bankruptcy protection. In 2001, United enplaned about 11% of passengers at the Airport. United is also continuing operations but may reduce service on certain routes and flights out of Indianapolis. So, while federal loan guarantees may assist certain airlines to maintain liquidity, they do not eliminate the risk that continuing losses could force additional airlines to retrench, seek bankruptcy protection, or discontinue operations.

### **Airline Consolidation and Alliances**

In response to competitive pressures, the U.S. airline industry has undergone consolidation. In May 2000, United and US Airways announced merger plans. These plans were subsequently abandoned, although a marketing alliance and code-sharing agreement between the two airlines (subject to U.S. DOT approval) was announced in July 2002. In April 2001, American completed acquisition of Trans World Airlines.

In addition to consolidation within the U.S. airline industry, the alliances being formed between U.S. and foreign-flag airlines are seen as important to competitive success. Such global alliances between airlines typically involve marketing and code-sharing arrangements to facilitate the transfer of passengers between the airlines' route systems and, in some cases, involve equity investment by one or more of the alliance airlines.

### **Availability and Price of Aviation Fuel**

There has been no shortage of aviation fuel since the "fuel crisis" of 1974, but the price of aviation fuel continues to be an important and uncertain factor affecting airline operating economics. Fuel prices are particularly sensitive to political instability and hostilities in the Middle East. Fluctuating fuel prices have caused corresponding fluctuations in airfares and airline operating results. Increased fuel prices in 2000 and 2001 contributed to airline industry losses. While recent fuel prices have not affected the ability of airlines to serve the Airport, future fluctuations in fuel prices could affect air service, airfares, and passenger numbers.

## **Capacity of National Air Traffic Control and Airport Systems**

Demands on the national air traffic control system have caused aircraft delays and restrictions, both on the number of aircraft movements in certain air traffic routes and on the number of landings and takeoffs at certain airports. These restrictions have affected airline schedules and passenger traffic nationwide. The FAA is gradually automating and enhancing the computer, radar, and communications equipment of the air traffic control system and enhancing the use of runways through improved air navigation aids. Air traffic delays have been greatly reduced as a result of the reduction in airline traffic since September 2001. However, as demand on the national air traffic control and airport systems returns to and exceeds pre-September 2001 levels, flight delays and restrictions are again likely.

### **Capacity of the Airport**

The Airport has dual wide-spaced parallel runways (5L-23R and 5R-23L), which are 10,000 and 11,200 feet long, respectively. Equipped with Category III precision instrument landing systems, the parallel runways permit simultaneous, independent operations in all weather conditions. The separation of the runways was planned to accommodate development of a Midfield Terminal. As part of planning efforts for the Midfield Terminal Program, a benefit-cost analysis (BCA) was prepared and submitted to the FAA in support of a Letter of Intent (LOI) application, which was approved and awarded by the FAA on April 15, 2002. As noted in the Authority's BCA, certain airfield elements of the project are expected to enhance Airport and airfield capacity, such as:

- A more centralized location of the terminal relative to the runways (less taxiing time)
- Improved taxiways and circulation
- Elimination of the need for most aircraft to cross active Runway 14-32 (improving safety and capacity)

## **AIRLINE TRAFFIC FORECASTS**

Table 22 presents airline traffic forecasts for the Airport for 2003 through 2010.

### **Assumptions**

Forecasts of airline traffic through 2010 were prepared taking into account analyses of the economic basis for airline traffic, trends in historical airline traffic, and key drivers likely to affect future airline traffic, as discussed earlier.

Table 22

### AIRLINE TRAFFIC FORECASTS

#### Indianapolis International Airport 1980-2010

These forecasts have been prepared on the basis of the information and assumptions given in the text. The achievement of any forecast is dependent upon the occurrence of future events which cannot be assured. Therefore, the actual results may vary from the forecasts, and the variations could be material.

	Historical			Estimated		Forecast							
	1980	1990	2000	2001	2002 (a)	2003	2004	2005	2006	2007	2008	2009	2010
Enplaned passengers													
Major/national airlines	1,502,650	2,631,135	3,470,067	3,148,624	3,034,000	3,290,000	3,510,000	3,875,000	4,060,000	4,155,000	4,250,000	4,345,000	4,440,000
Regional/commuter airlines	<u>39,729</u>	<u>220,680</u>	<u>404,555</u>	<u>471,013</u>	<u>426,000</u>	<u>460,000</u>	<u>470,000</u>	<u>475,000</u>	<u>480,000</u>	<u>485,000</u>	<u>490,000</u>	<u>495,000</u>	<u>500,000</u>
Total	1,542,379	2,851,815	3,874,622	3,619,637	3,460,000	3,750,000	3,980,000	4,350,000	4,540,000	4,640,000	4,740,000	4,840,000	4,940,000
Average annual increase (decrease)	--	6.3%	3.1%	(6.6%)	(4.4%)	8.4%	6.1%	9.3%	4.4%	2.2%	2.2%	2.1%	2.1%
Aircraft departures													
Passenger airlines	n.a.	n.a.	63,000	59,000	58,000	60,500	64,000	69,000	71,000	72,000	73,000	74,000	75,000
Cargo airlines	<u>n.a.</u>	<u>n.a.</u>	<u>30,600</u>	<u>31,350</u>	<u>22,000</u>	<u>23,745</u>	<u>25,590</u>	<u>27,550</u>	<u>29,660</u>	<u>31,950</u>	<u>34,400</u>	<u>37,050</u>	<u>39,900</u>
Total			93,600	90,350	80,000	84,245	89,590	96,550	100,660	103,950	107,400	111,050	114,900
Annual increase (decrease)			--	(3.5%)	(11.5%)	5.3%	6.3%	7.8%	4.3%	3.3%	3.3%	3.4%	3.4%
Landed weight (1,000-pound units)													
Passenger airlines	3,743,264	5,555,566	5,865,754	5,550,094	5,415,000	5,650,000	5,980,000	6,440,000	6,620,000	6,710,000	6,805,000	6,900,000	7,000,000
Cargo airlines	<u>395,726</u>	<u>2,020,626</u>	<u>6,037,796</u>	<u>6,328,910</u>	<u>4,958,000</u>	<u>5,350,000</u>	<u>5,765,000</u>	<u>6,210,000</u>	<u>6,690,000</u>	<u>7,205,000</u>	<u>7,760,000</u>	<u>8,360,000</u>	<u>9,000,000</u>
Total	4,138,990	7,576,192	11,903,550	11,879,004	10,373,000	11,000,000	11,745,000	12,650,000	13,310,000	13,915,000	14,565,000	15,260,000	16,000,000
Average annual increase (decrease)	--	6.2%	4.6%	(0.2%)	(12.7%)	6.0%	6.8%	7.7%	5.2%	4.5%	4.7%	4.8%	4.8%

n.a. = Not available.

(a) Based on 10 months of actual data.

Sources: Historical—Indianapolis Airport Authority records.  
Forecast—Leigh Fisher Associates, October 2002.



It was assumed that airline traffic at the Airport will increase as a function of growth in the population and economy of the Airport service region. It was assumed that airline service at the Airport will not be constrained by the availability of aviation fuel, limitations in airline fleet capacity, limitations in the capacity of the air traffic control system or the Airport, or government policies or actions that restrict growth.

Specifically, it was assumed that, through the forecast period (i.e., through 2010):

- There will be no major disruption of airline service or air travel behavior as a result of international hostilities or terrorist actions.
- Enhanced passenger and baggage screening procedures being implemented by the TSA will restore confidence in the security of the U.S. aviation system without imposing unacceptable inconveniences and delays on airline travelers.
- Beginning in mid-2003, the U.S. economy will resume growth, and thereafter the economy will experience sustained growth averaging between 2.0% and 2.5% per year.
- The economy of the Indianapolis MSA will increase at rates comparable to that of the nation.
- Improved national economic conditions and improvements to airline industry profitability will allow the major airlines to add the capacity required to meet demand nationwide.
- The Indianapolis MSA will continue to attract a diversified mix of industries, including transportation equipment manufacturing, State government and education, transportation, and distribution.

## **Enplaned Passengers**

The forecast of enplaned passengers reflects a return to historical passenger growth rates in 2007-2010 following a recovery of passenger traffic in 2003-2006 following the 2001-2002 downturn in traffic that resulted from the terrorist attacks on September 11, 2001, and the weak economy.

In 2002, the number of enplaned passengers is expected to be approximately 4.4% lower than in 2001, in part because of the weak first half of the year as travelers overcame their fear of flying following September 11. The lower passenger numbers in 2002 also reflect the continued weak national economy.

From 2003 to 2006, growth in numbers of enplaned passengers in the forecast is based, in part, on the economic recovery anticipated by airline executives, equity

analysts, and economists. The expected recovery over the next several years returns passenger traffic to the level suggested by a continuation of the long-term trend (1980 to 2000) in enplaned passengers. Over that period, an average of 117,000 additional passengers were enplaned at the Airport each year. The forecast suggests that the number of enplaned passengers achieved at the Airport in 2000 would be reached some time in 2004 with the expected recovery continuing through 2006.

From 2007 to 2010, the number of enplaned passengers is forecast to increase 2.1% to 2.2% per year, a rate less than traffic growth of 4.1% per year experienced between 1980 and 2001. From 1980 to 2001, the population of the Indianapolis MSA grew an average of 1.6% per year while per capita income grew an average of 1.8% per year, suggesting an overall growth in the economy of the region of 3.4% per year that drove 4.1% per year growth in passenger traffic. From 2001 to 2010, population is projected to grow 0.8% per year and per capita income is expected to grow 1.5% per year, suggesting a growth in the economy of 2.3% per year. As such, the forecast growth in numbers of enplaned passengers is consistent with economic growth and more conservative than the historical relationship between the economy and passenger traffic. Finally, the forecast of 4.9 million passengers in 2010 reflects an average increase of fewer than 117,000 passengers per year between 2001 and 2010, which is less than that experienced in 1980 through 2000.

## **Aircraft Departures**

The forecast of passenger airline aircraft departures is based on the enplaned passenger forecasts and an evaluation of the trends in the mix of aircraft serving the Airport, the average number of seats per aircraft, and load factors. The number of passenger airline aircraft departures at the Airport is forecast to increase from 59,000 in 2001 to 75,000 in 2010, an average increase of 2.7% per year.

The number of all-cargo airline aircraft departures is forecast to increase from 31,350 in 2001 to 39,900 in 2010—an average increase of 2.7% per year. The forecast of all-cargo aircraft departures reflects the anticipated increase in service by FedEx. Year-over-year growth in FedEx's departures from 2002 through 2010 is at the lower-end of growth experienced by the company as a whole for the last 5- and 10-year periods. The forecasts do not include any benefit derived from FedEx' contract with the USPS, which became effective September 1, 2001.

## **Landed Weight**

Passenger airline aircraft landed weight is forecast to increase from about 5.6 million 1,000-pound units in 2001 to 7.0 million 1,000-pound units in 2010—an average increase of 2.6% per year.

The landed weight of all-cargo airline aircraft is forecast to increase from 6.3 million 1,000-pound units in 2001 to 9.0 million 1,000-pound units in 2010—an average increase of 4.0% per year to account for the anticipated increase in activity by FedEx. FedEx' landed weight is forecast to grow at annual rates similar to the more conservative growth rates experienced by the company as a whole over the last 5- and 10-year periods. The forecast growth rates also represent more conservative growth than the cargo industry as a whole has experienced over the same periods. Finally, the forecasts do not include any benefit from FedEx' September 2001 contract with the USPS.

Total landed weight is forecast to increase from 11.9 million 1,000-pound units in 2001 to 16.0 million 1,000-pound units in 2010, an average increase of 2.6% per year.

## FINANCIAL ANALYSIS

### THE ORDINANCE

The 2003A Bonds are to be issued under the Authority's General Ordinance No. 6-1985, as amended and supplemented (the Original Ordinance), and as further supplemented by General Ordinance No. 3-2002 (the 2002 Supplemental Ordinance), which was adopted by the Authority on December 20, 2002.

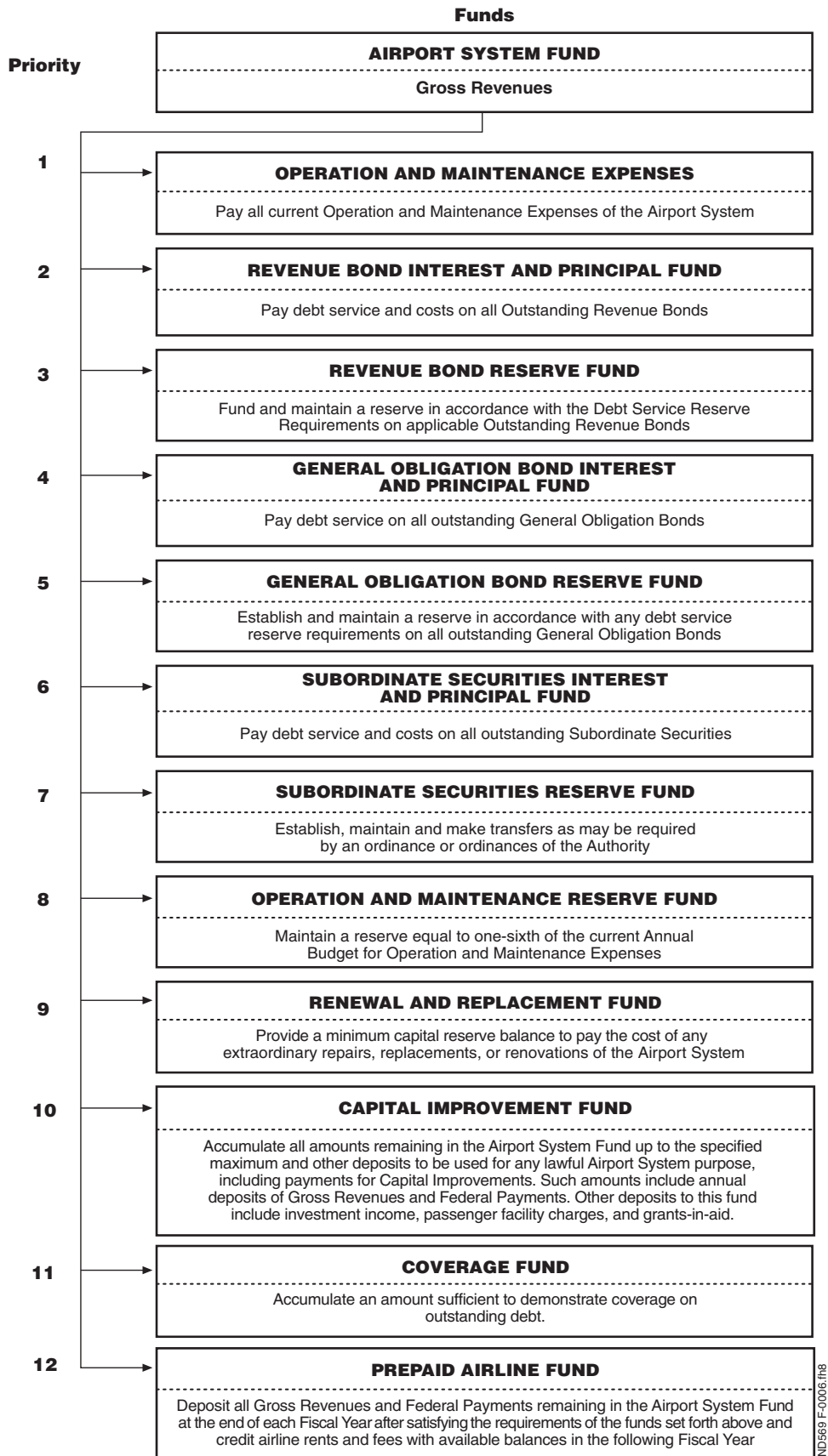
Also on December 20, 2002, the Authority adopted General Ordinance No. 4-2002 (the Revised Master Bond Ordinance) amending and restating the Original Ordinance. It is expected that the Revised Master Bond Ordinance will become effective with the issuance of the 2003A Bonds. By purchasing the 2003A Bonds, the owners of the 2003A Bonds will have irrevocably consented to the proposed amendments contained in the Revised Master Bond Ordinance, and the provisions of the Revised Master Bond Ordinance will also apply to the owners of all Outstanding Revenue Bonds. The financial forecasts presented in this report were prepared in accordance with the Revised Master Bond Ordinance. (See the Official Statement for a more detailed description of the Revised Master Bond Ordinance.)

General Ordinance No. 6-1985, and all amendments and supplements thereto, including the 2002 Supplemental Ordinance and the Revised Master Bond Ordinance, are referred to in this report as the Ordinance.

### Application of Revenues

The Ordinance provides that the Gross Revenues of the Airport System are to be deposited in the Airport System Fund. Moneys held in the Airport System Fund are then to be deposited into the Funds established under the Ordinance, as illustrated on Figure 5 and described below.

1. ***Operation and Maintenance Expenses.*** Amounts required to pay Operation and Maintenance Expenses of the Airport System.
2. ***Revenue Bond Interest and Principal Fund.*** Amounts required to pay interest and principal requirements on and other costs related to all Outstanding Revenue Bonds.
3. ***Revenue Bond Reserve Fund.*** Amounts required to meet the reserve fund requirements on Outstanding Revenue Bonds.
4. ***General Obligation Bond Interest and Principal Fund.*** Amounts required to pay interest and principal requirements on all outstanding General Obligation Bonds.



Source: Indianapolis Airport Authority, *General Ordinance No. 4-2002, Revised Master Bond Ordinance Amending and Restating Ordinance No. 6-1985.*

**SUMMARY OF THE APPLICATION OF GROSS REVENUES AND FEDERAL PAYMENTS UNDER THE ORDINANCE**

Indianapolis Airport Authority  
December 2002

5. ***General Obligation Bond Reserve Fund.*** Amounts required to meet any reserve fund requirements on outstanding General Obligation Bonds.
6. ***Subordinate Securities Interest and Principal Fund.*** Amounts required to pay interest and principal requirements on and costs related to all outstanding Subordinate Securities.
7. ***Subordinate Securities Reserve Fund.*** Amounts required to meet the reserve fund requirements on outstanding Subordinate Securities.
8. ***Operation and Maintenance Reserve Fund.*** Amounts required to maintain a balance of one-third of the current annual budget for Operation and Maintenance Expenses through 2003. The Authority is permitted by the Ordinance to determine the level at which the O&M Reserve Fund should be funded at the time of approval of the annual budget for the following Fiscal Year. Beginning in 2004, the Authority intends to maintain a reserve equal to one-sixth of the current annual budget for Operation and Maintenance Expenses.
9. ***Renewal and Replacement Fund.*** Amounts required to maintain a balance of \$2.0 million plus escalation beginning in 2002. The Ordinance permits the Authority to determine the Fund balance requirement based on discussions between the Airport Consultant and the Authority Board. Available amounts in this Fund can be used to pay for any extraordinary costs of replacing and repairing any depreciable property and equipment of the Airport System, and to transfer amounts, if required as determined by the Authority, to pay current Operation and Maintenance Expenses of the Airport System, to the Revenue Bond Interest and Principal Fund and to the Capital Improvement Fund.
10. ***Capital Improvement Fund.*** Beginning in 2002, \$4.0 million plus escalation. The Ordinance permits the Authority to determine the Capital Improvement Fund balance requirement. Available amounts in the Capital Improvement Fund can be used to pay for Capital Improvements of the Airport System and other Airport System purposes.
11. ***Coverage Fund.*** The Ordinance permits the Authority to determine the Coverage Fund balance requirement. Beginning in 2006, the Authority intends to fund and keep on deposit in the Coverage Fund an amount equal to 25% of the annual principal and interest payments on all Outstanding Revenue Bonds in this Fund. All moneys in this Fund can be used by the Authority for any lawful purpose.

At the end of each year, amounts remaining in the Airport System Fund after all the foregoing deposits have been made are to be deposited into the Prepaid Airline Fund.

12. ***Prepaid Airline Fund.*** Any amount in this Fund shall be credited to airline rents and fees in the following year. After making such credit, all moneys in this Fund can be used by the Authority for any lawful purpose.

The Authority deposits all PFC revenues collected by the airlines and paid to the Authority in a PFC fund. The Authority intends to transfer a certain amount of PFC revenues to the Revenue Bond Interest and Principal Fund to pay for certain annual principal and interest payments on the 2003A Bonds. The Authority intends to use the PFC revenues remaining in the PFC Fund to pay directly for capital costs as needed. The Ordinance permits the Authority to exclude the debt service committed to be paid from PFC revenues (defined as Dedicated Revenues under the Ordinance) from the amount of principal and interest payments due each year for purposes of demonstrating debt service coverage under the Rate Covenant.

Exhibit G presents the forecast application of revenues to the various Funds.

### **Rate Covenant**

In the Ordinance, the Authority covenants that it will:

at all times fix, charge, impose and collect rentals, rates, fees and other charges for the use of the Airport System . . . in order that upon measurement in each Fiscal Year the Net Revenues, together with moneys in the Coverage Fund, will at all times be at least sufficient to equal the larger of either:

- (i) all amounts required to be deposited in such Fiscal Year to the credit of the Revenue Bond Interest and Principal Fund and the Revenue Bond Reserve Fund; or
- (ii) an amount not less than 125% of the annual debt service for all Revenue Bonds.

This provision is referred to as the Rate Covenant. The Ordinance allows consideration to be made of amounts in the Prepaid Airline Fund and Coverage Fund to meet the Rate Covenant.

### **THE AIRLINE AGREEMENT**

The Authority and the airlines negotiated a new airline agreement that has been in effect since March 15, 2001, and extends to December 31, 2010.

The Authority has executed the Agreement and Lease of Premises (the Airline Agreement) with the following airlines: America West Airlines, American Airlines, American Trans Air, Chautauqua Airlines, Continental Airlines, Delta Air Lines,

Northwest Airlines, Southwest Airlines, United Airlines, and US Airways. The Authority has also executed the Airline Agreement with FedEx. Collectively, these airlines are the Signatory Airlines.

The Airline Agreement between the Authority and the Signatory Airlines establishes procedures for the review and adjustment of Signatory Airline Terminal Complex rental rates, Apron Area rental rates, and landing fees each fiscal year, as needed to ensure that the Net Revenues of the Airport System are at least sufficient to meet the Operation and Maintenance Expenses of the Airport System, the Debt Service Requirements on all Outstanding Revenues Bonds and Subordinate Securities, and other funding requirements established by the Ordinance.

Under the Airline Agreement, Terminal Complex rental rates are calculated according to a cost center residual cost methodology, taking into consideration the capital costs of the terminal building, operating costs, and concession revenues generated in the terminal building. Apron Area rental rates are calculated on the same basis as Terminal Complex rental rates. Landing fees are calculated according to a total Airport System residual cost methodology, taking into consideration all Airport System costs and all nonairline revenues. Airport System capital and operating costs are defined to include “annual Debt Service Requirements on Revenue Bonds (plus coverage, after giving effect to amounts on deposit in the Coverage Fund).”

As part of the Airline Agreement, the airlines approved development and construction of the Midfield Terminal, with an estimated cost of \$939.0 million (in escalated dollars) and an expected Date of Beneficial Occupancy of July 1, 2007. In Section 8.04 of the Airline Agreement, the Authority has agreed to use its best efforts to assure that, upon completion of the Midfield Terminal Program, the average projected cost per enplaned passenger and landing fee rate do not exceed Targeted Limits during the projection period—January 1, 2007, through December 31, 2010.

The Airline Agreement further describes the consultative and review procedures with the Signatory Airlines that provide for adjustments to the Authority’s financial plan and estimated Midfield Terminal Program budget. The financial model is to be updated and reviewed with the Signatory Airlines annually. Additionally, per Section 8.04, “The Authority and the Airline(s) agree the Targeted Limits are not a guaranty, but are targets to be used by the Authority in planning the Program. The Airline(s) and Authority recognize that the Targeted Limits may need to be increased or decreased” in accordance with changes in Program scope, such as the federally mandated checked-bag screening project and other security measures.

For purposes of this report, it was assumed that the current procedures in the Airline Agreement for calculating airline rents and fees would be in effect throughout the forecast period (2003 through 2010).



## **PFC PROGRAM**

The Authority's PFC program is administered in accordance with applicable PFC Regulations under Federal Aviation Regulations Part 158.

### **PFC Approvals**

As approved by the FAA, the Authority imposed a PFC of \$3 per eligible enplaned passenger from September 1993 through March 2001. Under this approval (through the beginning of 2001), the Authority was authorized to collect and use PFC revenues up to \$115.0 million to be applied toward FAA-approved Airport capital costs, including certain airfield improvements and land acquisition for noise mitigation. This FAA authorization is in connection with PFC applications dated June 28, 1993, and December 20, 1996.

On January 17, 2001, the Authority received approval from the FAA to increase its PFC from \$3.00 to \$4.50. Additionally, on March 28, 2001, the Authority received approval from the FAA to impose the \$4.50 PFC and to collect PFC revenues up to \$533.9 million to fund estimated project and financing costs related to the Midfield Terminal Program.

The Authority is currently seeking "use approval" for the \$4.50 PFC to be applied to elements of the CIP, including the Midfield Terminal Program. The Authority plans to use PFC revenues for the direct payment of project costs ("pay-as-you-go") and to pay certain debt service and interest and financing costs associated with the 2003A Bonds, Planned Bonds, and Subordinate Securities.

### **PFC Framework and Forecast Assumptions**

The Ordinance governs the use of PFC revenues, stating that:

From time to time the Authority may adopt an ordinance or resolution irrevocably designating certain revenues received by the Authority (and not otherwise treated as Gross Revenues) as Dedicated Revenues to be used exclusively to pay debt service on Revenue Bonds. In such resolution or ordinance, the Authority shall elect to exclude from the Debt Service Requirement, an amount of principal of and/or interest on Revenue Bonds in an amount equal to such Dedicated Revenues. If the Authority adopts an ordinance or resolution as described in this paragraph, the Authority shall transfer such Dedicated Revenues into the Revenue Bond Interest and Principal Fund at such time as is needed to pay such debt service when due.

This provision permits the Authority to exclude the principal and interest to be paid from dedicated PFC revenues (then defined as Dedicated Revenues under the Ordinance) from the Debt Service Requirement for purposes of meeting the Rate Covenant or complying with the requirements for issuing additional bonds.

The financial forecasts presented in this report reflect the Authority's intention to dedicate certain of its PFC revenues to be used exclusively to pay debt service on a portion of the 2003A Bonds, Planned Bonds, and Subordinate Securities with the assumption that PFC revenues are excluded from the definition of Gross Revenues, or otherwise. The amount of PFC revenues that the Authority intends to use to pay principal and interest on Revenue Bonds is shown in Exhibit C. Any PFC revenues that the Authority intends to use for the payment of debt service are to be transferred from the PFC fund to the Revenue Bond Interest and Principal Fund as needed. The Authority intends to use the remaining PFC revenues collected to fund projects in the Airport's CIP through 2010 on a pay-as-you-go basis.

## **AIP GRANTS AND LETTER OF INTENT**

On April 15, 2002, the Authority received approval of a Letter of Intent (LOI) from the FAA for costs related to airfield elements of the Midfield Terminal Program. The LOI is for a total of \$120.8 million (including \$70.5 million in discretionary Airport Improvement Program [AIP] grants), to be paid by the FAA from 2003 through 2011. As part of the LOI commitment, the Authority has committed to use FAA entitlement grants over this same period (2003 through 2011) to pay for costs of the Midfield Terminal Program.

The Authority expects to receive AIP discretionary grants for its noise mitigation program, new security projects required following the events of September 11, 2002, and other airfield and taxiway improvements.

## **FINANCIAL EFFECTS OF RECENT EVENTS**

The recent nationwide economic slowdown and the events of September 11, 2001, have significantly affected U.S. airports as airline traffic and associated revenues have generally declined and operating costs have generally increased to implement increased FAA security requirements. Most airport operators are currently facing strained financial operations.

Following the events of September 11, 2001, the Authority identified cost savings and has managed Airport operations to ensure that Gross Revenues are sufficient to meet financial obligations, including paying Operation and Maintenance Expenses and meeting the Rate Covenant in the Ordinance. The Authority's debt service coverage for Revenue Bonds and Subordinate Securities was 1.85 times annual debt service in 2001 and is estimated to be 1.68 times annual debt service for 2002.

The Authority has the ability to increase airline rates and charges if necessary to meet its financial obligations. Because of the economic recession, the state of the airline industry, and the Authority's ability to manage costs in relation to revenues, the Authority elected not to increase airline rates and charges in 2001 and 2002.

As part of the scope of our study, we reviewed with the Authority actual financial results of the Airport System since September 11, and estimated financial results for 2002 and 2003. Budget estimates of financial results for 2003 and consideration of the implications of recent events provide the baseline for forecasting future financial results, as described in the remainder of this report.

As discussed earlier in the "Airline Industry Economics" section of the report, the airline industry has experienced significant financial losses.

US Airways filed for Chapter 11 bankruptcy protection on August 11, 2002. Although the airline is continuing operations, service at the Airport was reduced from 30 weekday departures to 28 weekday departures effective November 2, 2002. In addition, on December 9, 2002, United Airlines filed for Chapter 11 bankruptcy protection. United is continuing operations but may reduce service on certain routes and flights from Indianapolis.

The implications for the Airport of the Chapter 11 filing are not yet known as of the date of this report. However, the "residual" nature of the Authority's Airline Agreement provides the financial mechanism to mitigate the potential downside effects of airline bankruptcies and ensure that rates and charges can be established to meet the covenants of the Ordinance. The residual nature of the Airline Agreement effectively provides that other airlines would pay increased rates and charges to offset any loss of revenues, although there can be no assurance that such other airlines could bear such additional costs.

## **CAPITAL IMPROVEMENT PROGRAM**

The Airport's CIP includes approximately \$1.4 billion of escalated project costs from 2001 through 2010.

The Midfield Terminal Program represents a substantial portion of the Authority's CIP, and is anticipated to open on July 1, 2007. The Midfield Terminal was originally estimated at \$939.0 million (in escalated dollars) and is now estimated to be \$974.0 million (in escalated dollars), including \$35.0 million for the federally mandated checked-bag screening project. The Midfield Terminal site is an unencumbered greenfield site that has been reserved for Airport expansion since 1975. The site presents an opportunity for the development of well-positioned and efficient Airport facilities. It has been endorsed by the FAA and is included on the Airport Layout Plan. The site is nearly a mile wide, over 2 miles long, with enough space for landside and airside development. On April 15, 2002, the FAA further demonstrated its support for

this project, and awarded the Authority a Letter of Intent commitment of \$120.8 million (including \$70.5 million of discretionary funding). In addition, as previously stated, on March 28, 2001, the FAA approved the Authority to collect (impose only) approximately \$533.9 million of PFC revenues for the Midfield Terminal Program. The Authority is currently seeking “use approval” from the FAA to fund project costs and financing costs.

### **Capital Projects in the CIP through 2003**

Exhibit A presents project elements included in the CIP through 2003 to be funded in part from the proceeds of the 2003A Bonds, including:

- Airfield and taxiway improvements.
- New security projects required following the terrorist attacks of September 11, 2001.
- Interim capacity improvements to the existing terminal, including certain concession and parking areas.
- Certain elements of the Midfield Terminal Program, including design, site grading, utilities, access roadway ramps, glycol recovery, and relocation of the Airport traffic control tower.
- Certain other capital projects, including land acquisition for noise mitigation.

The total cost of project elements in the CIP expected to be incurred through 2003 is estimated by the Authority to be approximately \$233.8 million, which amount does not include the proceeds of the 2003A Bonds used to repay outstanding Commercial Paper. The Authority anticipates that these projects will be substantially complete by December 31, 2003.

### **Future Capital Improvements in the CIP**

The estimated future project costs for the Midfield Terminal Program include additional design costs and construction of the Midfield Terminal Program, which is estimated to be complete by July 1, 2007.

Other projects in the Airport’s CIP include additional security projects, airfield capacity projects, taxiway improvements, environmental mitigation projects, roadway improvements, deicing controls, transmission line relocation, and land acquisition associated with the Authority’s noise program.

Construction of the Midfield Terminal and other related elements of the CIP would substantially complete the development program for the Airport through the

forecast period and the foreseeable future. According to the Authority, additional projects would be undertaken only if there were demonstrated demand and the projects were economically justified and financially feasible.

## **ESTIMATED PLAN OF FINANCE**

Exhibit B presents a summary of the estimated plan of finance for the issuance of the 2003A Bonds and the funding of the Airport's CIP.

### **2003A Bonds**

The 2003A Bonds are being issued, together with other funds of the Authority, to:

- Pay at maturity \$41.0 million of subordinate Commercial Paper notes issued to refund the remaining portion of the Authority's Revenue Bonds of 1993 (the 1993 Bonds).
- Pay at maturity approximately \$24.0 million of subordinate Commercial Paper notes (issued previously to finance capital projects prior to 2001).
- Fund a portion of the approximately \$233.8 million of estimated costs of certain elements of the Airport's CIP through 2003.
- Fund a deposit to the Revenue Bond Reserve Fund.
- Pay other costs incurred in connection with the issuance of the 2003A Bonds. The Authority expects to issue the 2003A Bonds, in the approximate principal amount of \$145.9 million, as fixed-rate bonds.

Upon the issuance of the 2003A Bonds, there will not be any principal outstanding on the 1993 Bonds.

### **Planned Bonds**

The Authority expects to issue various series of additional revenue bonds as needed to fund the Airport's CIP. These additional bonds are referred to as "Planned Bonds" in this report. The proceeds of the Planned Bonds may be used to pay project costs, pay interest during construction, repay any subordinate Commercial Paper notes or other interim financing costs, meet the Revenue Bond Reserve Fund requirements for Revenue Bonds, and pay issuance costs.

For purposes of this report, the Planned Bonds are estimated to be issued in the collective amount of approximately \$992.3 million. Of that amount, approximately \$785.6 million is to be issued with the Debt Service Requirement expected to be paid

from Net Revenues of the Airport System. The Debt Service Requirement of the remaining amount (approximately \$206.8 million) is expected to be paid with PFC revenues. To the extent that certain debt service amounts are paid from PFC revenues, those amounts are excluded from Debt Service Requirements for purposes of calculating coverage, pursuant to the Ordinance.

It was assumed in the plan of finance that a significant portion of the Planned Bonds would be issued on a fixed-rate basis as Revenue Bonds under the Ordinance. However, there is no assurance that the Planned Bonds will be issued or, if issued, will be issued on the same basis as that assumed in the plan of finance.

### **Funding the CIP**

Exhibit B also shows the aggregate sources and uses of funds for the Airport's CIP. Sources of funds include, but are not limited to:

- Proceeds from the issuance of the 2003A Bonds, Planned Bonds, and future Subordinate Securities, including Commercial Paper.
- Federal and State grants.
- PFC revenues (pay-as-you-go and to pay principal and interest on a portion of the 2003A Bonds, Planned Bonds, and future Subordinate Securities.
- Internally generated funds of the Airport System.

### **DEBT SERVICE REQUIREMENTS AND SUBORDINATE SECURITIES**

Exhibit C presents the historical and forecast annual Debt Service Requirements and coverage requirements for Outstanding and proposed Revenue Bonds and Subordinate Securities for 1999 through 2010. As shown, the annual forecast Debt Service Requirement includes the 1996A Bonds, 1998 Refunding Bonds, 2003A Bonds, and Planned Bonds. The Ordinance provides the Authority with the discretion of determining how debt service coverage is to be funded. For purposes of this report, based on recent discussions with the Authority, it was assumed in developing the forecasts that the Authority will charge and include 25% annual coverage on Debt Service Requirements (including the Outstanding Revenue Bonds and the 2003A Bonds) through 2005. Beginning in 2006, the Authority intends to fund the Coverage Fund with other available Authority moneys and eliminate the annual coverage requirement included in annual airline rates and charges calculations. Further, it is the Authority's intention to maintain a balance in the Coverage Fund of 25% of the Debt Service Requirements on Revenue Bonds in subsequent years, with incremental funding of the Coverage Fund, as may be required, through Airport System cash flow, as reflected in Exhibit G.

Debt service for the 2003A Bonds was estimated by the Authority's financial advisors using the following assumptions: delivery date of January 28, 2003, final maturity of January 1, 2033, and an approximate interest rate of 5.85%.

Debt service for the subordinate Commercial Paper notes and the Planned Bonds to be issued to fund certain costs in the CIP reflects allowances for future changes in bond interest rates and varying bond terms.

Exhibit C summarizes the allocation of annual Debt Service Requirements to Airport cost centers in accordance with procedures and formulas specified in the Airline Agreement.

## **SPECIAL PURPOSE FACILITIES BONDS**

Under the Ordinance, the Authority reserves the right to issue one or more series of bonds to finance and refinance the cost of any Special Purpose Facilities (Special Purpose Facilities Bonds), including all reserves required, all related costs of issuance, and other amounts required, provided that such Special Purpose Facilities Bonds are to be payable solely by Special Purpose Facilities lessees and other security not provided by the Authority.

Each Special Purpose Facilities lease must provide that an Airport System improvement or facility is leased by the Authority to a lessee that agrees to pay (1) all of the Debt Service Requirements for the Special Purpose Facilities Bonds issued to finance the Special Purpose Facility and (2) all administrative expenses allocable to the Special Purpose Facility. In no event will any Gross Revenues or any other amounts held in any other Fund or Account maintained by the Authority as security for Revenue Bonds or for the construction, operation, maintenance, or repair of the Airport System be pledged to the payment of Special Purpose Facilities Bonds or to the payment of any lessee expenses of operating and maintaining Special Purpose Facility. The Authority has issued, from time to time, Special Purpose Facilities Bonds for the construction of facilities leased to United Airlines, FedEx, and US Airways and, in the future, may, from time to time, issue one or more additional series of Special Purpose Facilities Bonds for one or more airlines or entities operating at the Airport System.

## **OPERATION AND MAINTENANCE EXPENSES**

Exhibit D presents historical and forecast Operation and Maintenance Expenses of the Airport System, by type of expense and by cost center allocation, for 1999 through 2010. Expenses for 1999, 2000, and 2001 were obtained from the annual audited financial statements and other financial records of the Authority. Expenses for 2002 reflect the Authority's estimate of expenditures for 2002. Expenses for 2003 were obtained from the Authority's annual budget. Expenses for 2004 through 2010

are based on assumptions from the Authority and BAAI regarding Airport System staffing levels, anticipated personnel requirements by position, and input from BAAI management regarding particular expenses associated with unit costs of labor, contractual services, utilities, and supplies.

Management compensation fees for BAAI are included in the definition of Operation and Maintenance, and therefore, have been included in the calculation of the required deposit to the Operation and Maintenance Reserve Fund. Management compensation fees are allocated to cost centers on the same basis as indirect administrative costs.

## **2002 Operation and Maintenance Expenses**

Following the events of September 11, 2001, the Authority implemented a series of changes to the operating budget for 2002 in reaction to (1) a near-term decrease in passenger traffic and expectations regarding the recovery of passenger traffic in 2002 and (2) enhancements to Airport security. Specific actions taken by the Authority were as follows:

- *Cost savings initiatives.* Limited staff reductions, reductions in training and related travel expenses, and reductions and/or deferrals of certain capital purchases were all implemented and reflected in the 2002 operating projections and capital budget.
- *Additional security expenses.* Additional public safety officers and local law enforcement officers were employed to ensure that enhanced security requirements are met as required by the Transportation Security Administration (TSA). The mandated requirements increased the security on the perimeter of the Airfield Area and the Terminal Complex.

The Authority's current expectations for 2002 O&M Expenses are shown in Exhibit D.

## **2003 Operation and Maintenance Expenses**

Numbers of enplaned passengers and aircraft operations are lower than pre-September 11, 2001, levels. Although the 2003 O&M Expense budget was established on the basis of this assumption, the Authority expects to continue its cost savings initiatives until passenger traffic recovers to pre-September 11, 2001, levels. The BAAI management team has prepared a contingency operating plan for 2003 should passenger traffic rebound more slowly than anticipated.



## **2004-2010 Operation and Maintenance Expenses**

O&M Expenses for the remaining years of the forecast period reflect the following:

- 2003 O&M Expenses were assumed to represent an appropriate level of expense for the Airport for purposes of forecasting future expenses, including the additional security costs.
- Allowances for additional expenses associated with planned projects to be completed from 2004 through 2010, including the Midfield Terminal, which is assumed to open on July 1, 2007.

In 2002, the Authority received federal funding for certain security operating expenses incurred at the Airport as a result of September 11, 2001, events and other factors. The 2002 and 2003 amounts for incremental security reflect the Authority's estimate of expenses net of federal grants and reimbursements from the TSA. For purposes of this report, the 2004-2010 incremental security amounts were assumed to be similar to those estimated for 2003.

## **REVENUES**

Airport System revenues include airline revenues from rentals, fees, and charges; and nonairline revenues from terminal concessions, such as food and beverage, news and gifts, and other terminal services; revenues from public parking, rental cars, ground transportation, and employee parking; other operating revenues; rentals from other Airport System facilities, including cargo, maintenance, hangar, and other building and ground leases; and other nonoperating income. The assumptions underlying the forecasts of each of these revenue sources are described in the following sections. The revenue amounts for 1999 through 2001 reflect audited actual financial results of the Airport System. Nonairline revenues are detailed in Exhibit E.

### **Airline Revenues**

The calculations of airline rents and fees are based on procedures set forth in the Airline Agreement, as described below and presented in Exhibits F-1 through F-3.

**Terminal Complex Rents.** Exhibit F-1 presents the calculation of estimated Signatory Airline Terminal Complex rental rates for 2002 and forecast rental rates for 2003 through 2010. Three rental rates are in effect in the Terminal Complex (1) the existing terminal prior to Concourse C expansion (including Concourse D), (2) Concourse C, and (3) the Concourse D expansion.

Terminal Complex rental rates are calculated to recover the average cost of each square foot of rentable space in the Terminal Complex. The total Terminal Complex Cost is computed by adding the following items allocable to the Terminal Complex: (1) total direct and indirect Operation and Maintenance Expenses (including estimated BAAI compensation payments, if any), (2) required Operation and Maintenance Reserve Fund deposits, (3) annual Debt Service Requirements on Revenue Bonds and Subordinate Securities, including 25% coverage on Revenue Bond debt service through 2003, and (4) annual amortization of the net cost of Terminal Complex assets funded by the Authority, calculated at an interest rate of 6%.

Nonairline revenues allocable to the Terminal Complex, the credit (deficit) from the prior year, an allowance for the cost of Authority/BAAI executive office space, administration building rentals, security fees, and terminal gate use fees representing revenues from gates used on an “as needed” basis are then credited against those Terminal Complex costs to determine the adjusted common Terminal Complex costs. The average cost rate (equalized component) is then calculated by dividing the adjusted common Terminal Complex costs by the total number of square feet of Rentable Space in the Terminal Complex.

A capital rate (the net Debt Service Requirement per square foot) for the existing terminal, Concourse C, and Concourse D expansion space is then calculated by dividing the net Debt Service Requirement allocable to each area by the Rentable Space in each area. These differential capital rates are then added to the “equalized” average cost rate to establish a rental rate for each area. The respective rental rates are multiplied by the amount of airline Rentable Space in each area to determine the total annual Airline Terminal Complex Requirement. The total annual Airline Terminal Complex Requirement is then multiplied by the projected percentage of airline rented space to determine the actual airline Terminal Complex rent.

As stated earlier, the Authority is planning for the Midfield Terminal to open on July 1, 2007, and for purposes of this analysis, it was assumed that there will be one, equalized terminal rental rate. The Authority expects that a significant portion of the Midfield Terminal project costs will be financed from the net proceeds of Planned Bonds. Debt Service Requirements associated with this project are included in the Terminal Complex, as are additional Operation and Maintenance Expenses and associated Fund deposit requirements.

**Apron Area Rental Rates.** Exhibit F-2 presents the calculation of Apron Area rental rates for 2002 through 2010. Under the Airline Agreement, the Signatory Airlines pay Apron Area rental rates to recover costs allocable to the aircraft parking positions, including (1) total direct and indirect Operation and Maintenance expenses, (2) required deposits to the Operation and Maintenance Reserve Fund, (3) annual Debt Service Requirements on Revenue Bonds and Subordinate Securities, including 25% coverage on Revenue Bond debt service through 2003, and

(4) the annual amortization of Authority funded assets, calculated at an interest rate of 6%.

Nonairline revenues allocable to the Apron Area, the credit (deficit) from the prior year, and terminal gate use fee and remain-over-night (RON) fees representing revenues from gates and apron space used on an “as needed” basis, are then credited against those Apron Area costs to determine the Apron Area costs. The average cost rate is then calculated by dividing the total Apron Area costs by total Apron Area square footage.

**Landing Fees.** Exhibit F-3 presents the calculation of Signatory Airline landing fees for 2002 through 2010. Landing Fees are calculated to recover the residual cost of operating the Airport System after crediting nonairline operating revenue generated by the Airport System. The calculation follows the total Airport System residual cost formula of the Airline Agreement. Under this formula, the total Airport System expense is calculated and then reduced by crediting all Airport System operating revenue (including airline Terminal Complex rents and Apron Area rents but excluding airline landing fees) and moneys deposited in the Prepaid Airline Fund in the prior Fiscal Year. The resulting Airport System Requirement (landing fee revenues required) is then divided by the forecast annual Signatory Airline landed weight to determine the required Signatory Airline Landing Fee Rate.

Airport System expense includes the following:

- Total direct and allocated indirect Operation and Maintenance Expenses of the Airport System as set forth in the Authority’s annual budget.
- Any Fund deposits required under the Ordinance.
- Debt Service Requirements on Revenue Bonds and Subordinate Securities, including 25% coverage on Revenue Bond debt service.
- Annual amortization of Authority-funded assets, calculated at an interest rate of 6%.
- The estimated amount of any assessment, judgment, settlement, or charge to become payable by the Authority.
- An amount for further Capital Improvements equal to 25%, as determined by the Authority, of all nonairline Airport System Operating Revenue derived from Airport System concessions; rentals, charges, and fees from non-Signatory Airlines; and other Airport System tenants and users.

That Airport System expense is then offset by the following to determine the revenues required from airline rents and fees:

- Any deficit or surplus estimated for the operation of the Airport System during the then-current Fiscal Year or any adjustment (to reflect the difference between the actual versus estimated revenues or expenses) carried over from the prior Fiscal Year
- Airport System Operating Revenue (including airline Terminal Complex rentals and Apron Area fees; but excluding Signatory Airline landing fees), as set forth in the annual budget

For purposes of this report, estimated compensation payments to BAAI from the Authority, if any, are shown as a separate line item expense and are accounted for as Operation and Maintenance Expenses.

## **Concession Revenues**

Exhibit E summarizes historical and forecast revenues from sources other than airline revenues. The principal concession revenues at the Airport are parking, rental cars, food and beverage, news and gifts, and specialty retail. The Authority also derives revenues from telephones, advertising, ground transportation services, and other concessions. Most terminal concession revenues are forecast to increase as a function of the forecast increase in enplaned passengers and inflation.

Forecast concession revenues take into account recent trends in performance since September 2001 and, if applicable, were computed at the higher of the percentage fee or minimum annual guarantee.

**Food and Beverage.** The Terminal Complex provides space for food and non-exclusive beverage concessions, offering sitdown restaurants, a food court with brand-name offerings, gourmet coffee bars, and bars. In January 2000, a new food court was completed and new eateries were introduced pre- and post-security. Currently, there are 23 food and beverage offerings at the Airport.

The minimum annual guarantee for food and beverage space varies based on the offering location size and exposure to passengers. The food and beverage agreements provide for percentage fee revenues to the Authority ranging from 10% to 15% of gross revenues.

Host Marriott (HMS Host), the primary food and beverage concessionaire at the Airport, operates 8 of the 23 concessions. HMS Host's agreement expires December 31, 2009. Currently, HMS Host pays the Authority 10% on food and nonalcoholic beverage gross revenues, 15% on alcoholic beverage gross revenues, and 20% on merchandise gross revenues or a minimum guarantee of approximately \$462,000 per year, whichever is greater.

For purposes of this analysis, it was assumed that when the Midfield Terminal opens on July 1, 2007, food and beverage concessions will increase approximately 25% as a result of increased square footages planned and allocated for concessions, improved locations, and better passenger exposure and circulation.

**News and Gifts.** The minimum annual guarantee for retail space also varies based on the offering location, size, and exposure to passengers. The concession agreements provide for percentage revenues to the Authority that range from 15% to 25% of gross revenues.

Paradies Shops operates (on a nonexclusive basis) four of the seven news and general merchandise (gifts) concessions at the Airport under a concession agreement that extends through September 2006. WH Smith operates the other three news and gift concessions under a nonexclusive agreement that extends through December 2006. For purposes of this report, it was assumed that comparable agreements with news and gift operators will be negotiated and in effect through the forecast period. These agreements provide for the Authority to receive from 15% to 25% of gross revenues from sundries and gifts or a minimum guarantee of \$300,000 per year, adjusted annually at 85% of the prior year's receipts, whichever is greater. Throughout 2000, the Paradies Shops remodeled all of its locations.

Terminal news and gifts concessions revenues are tied to forecast increases in enplaned passengers plus an inflation factor throughout the forecast period. For purposes of this report, it was assumed that when the Midfield Terminal opens on July 1, 2007, revenues will increase approximately 25%.

**Specialty Retail.** Currently, nine specialty shops operate at the Airport including: Passport Travel Spa, Sunglass Hut, Waterstone's Booksellers, Godiva Chocolatier, Home Court, Brickyard Authentics, Perfumania, Hat World, and Brookstone. Since 1995, approximately 12,000 additional square feet have been devoted to specialty retail. As a result of this expansion, specialty revenue increased approximately 9% per year from 1998 to 2000.

Specialty retail revenues are tied to forecast increases in enplaned passengers plus an inflation factor throughout the forecast period. In addition, specialty retail revenues are forecast to increase an additional 25% with the opening of the Midfield Terminal on July 1, 2007.

**Other Concessions.** Other concessions include telephones, advertising, shoeshine stands, vending machines, and automated bank teller machines.

For purposes of this report, it was assumed that when the Midfield Terminal opens on July 1, 2007, revenues for other concessions, except telephones, will increase

approximately 25%. Telephone revenues are expected to continue to grow in line with enplaned passengers, but are not expected to increase at the same rates as other concessions because of the increasing use of cellular phones and other methods of telecommunication.

### **Public Automobile Parking Revenues**

The Authority currently operates the public parking facilities at the Airport. There are approximately 1,800 parking spaces in the parking garage, 2,000 spaces in the Corporate Connection and Premier lots, and a combined 7,100 spaces in the surface Tiger and economy lots (approximately 11,000 parking spaces total).

Charges in the parking garage are currently \$2.00 each hour up to a maximum of \$20.00 per day. The hourly charge in the parking garage is expected to increase in 2003 to \$3.00 each hour with the daily maximum remaining the same. In the Premier lot, charges are \$3.00 for 0-3 hours, \$4.00 for 4-6 hours, and a maximum of \$8.00 per day. In the surface, Corporate Connection, Tiger, and economy lots, the maximum rates range from \$4.50 to \$14.00 per day. The maximum daily rate in the surface lot is expected to increase from \$14.00 to \$16.00 beginning in 2003.

Parking revenues are forecast based on historical trends in revenue per originating passenger and in direct proportion to forecasts of originating passengers, plus an annual growth factor.

For purposes of this report, it was assumed that when the Midfield Terminal opens on July 1, 2007, revenues will increase 7.5%.

### **Rental Car Revenues**

Eight rental car companies (Alamo, Avis, Budget, Dollar, Enterprise, Hertz, National, and Thrifty) operate at the Airport and are located on-Airport within the terminal. Ace Rent A Car is located off-Airport.

Budget Group Inc., the parent company of Budget Rent a Car Corporation, filed for Chapter 11 bankruptcy protection on July 29, 2002. Budget Group, Inc., has publicly stated that it does not expect that the filing for Chapter 11 bankruptcy protection will have any effect on the day-to-day operations of Budget Rent a Car Corporation.

In November 2001, ANC Rental Corporation filed for Chapter 11 bankruptcy protection. ANC Rental Corporation includes Alamo Rent-A-Car, Inc. and National Car Rental System, Inc. National Car Rental Inc. is an independent franchise of National Car Rental System, Inc., and was not included in the Chapter 11 filing by ANC Rental Corporation.

The implications of the Chapter 11 filing by the parent companies of Budget and Alamo are not known as of the date of this report, but are not expected to be material to the financial forecasts presented herein.

Avis, Budget, Dollar, Enterprise and Hertz operate under concession agreements providing for payment to the Authority of a minimum fee, plus 10% of gross revenues (subject to guaranteed minimum payments) over a specified sales breakpoint. These concession agreements expire on December 31, 2006. Alamo, National, and Thrifty agreements stipulate a minimum annual guarantee or percentage of sales, whichever is greater. Thrifty's agreement expires on December 31, 2004. National and Alamo operate under month-to-month agreements. The Authority receives 7% of reported sales from Ace Rent A Car, per the Ordinance for off-Airport operations. In addition, rental car companies currently lease counters and office areas in the terminal building at the prevailing rental rate and are expected to do so in the new Midfield Terminal. For purposes of this report, it was assumed that comparable agreements with the rental car companies will be negotiated and in effect through the forecast period.

For purposes of this report, it was also assumed that when the Midfield Terminal opens on July 1, 2007, revenues to the Authority on a per enplaned passenger basis will remain relatively similar to the pre-Midfield Terminal per enplaned passenger revenues.

### **Rented Buildings and Other Areas Revenues**

The Authority leases sites, buildings, and other facilities on the Airport to various aviation and nonaviation users. American Trans Air, Conesco, Airport Trade Center, Eli Lilly and Company, the FAA, FedEx, Inland Container Corporation, Mel Simon Associates, United Airlines, US Airways, and the U.S. Postal Service have entered into ground and/or building leases with the Authority. The Airport also has a Foreign Trade Zone that includes an international trade center and other buildings.

The southeast quadrant of the Airport is occupied by FedEx for its overnight delivery hub operation. The northwest quadrant of the Airport is occupied by the United Airlines MOC-II maintenance hangar and facilities. In addition to United, FedEx and American Trans Air have facilities in the northwest quadrant; two corporate hangars are also located there.

Revenues from building, hangar, and ground leases are governed by the terms of various leases. During lease negotiations and/or renegotiations, it is the Authority's intention to yield market value.

## **Reliever Airport Revenues**

The Authority leases sites, buildings, and other facilities at the Reliever Airports to both aviation and nonaviation tenants. The site and building rentals from the Reliever Airports are governed by the terms of various leases, many of which extend beyond the forecast period.

## **BAAI Management Compensation Calculation**

The Authority and BAAI are currently in negotiations to amend the Management Agreement (including compensation provisions) and expect that the terms of the amendment will be agreed to by both parties in January 2003. Although BAAI currently receives no fixed compensation or management fee for the operation, maintenance, and management of the Airport System, the Authority expects that the compensation provisions of the Management Agreement will likely be amended to provide for some level of fixed compensation. For the last 3 years, 1999 through 2001, BAAI has received compensation payments from the Authority of approximately \$2.3 million per year.

As shown in Exhibits F-3 and G, for purposes of this analysis, estimated BAAI management compensation payments are separate line item expenses, but are accounted for as Operation and Maintenance Expenses.

## **APPLICATION OF REVENUES**

Exhibit G presents the forecast application of Gross Revenues and Federal Payments from 2002 through 2010.

Amounts forecast to be deposited to the Capital Improvement Fund from Gross Revenues and Federal Payments are calculated on the basis of the annual and aggregate funding limits set forth in the Ordinance and the Airline Agreement. Moneys in the Capital Improvement Fund are available for any lawful purpose of the Airport System.

After all of the required deposits are made, (including deposits to the Coverage Fund), the balance of Gross Revenues and Federal Payments is deposited into the Prepaid Airline Fund and credited toward the Airport System Requirement (landing fees) in the following Fiscal Year (see Exhibit F-3).

## **DEBT SERVICE COVERAGE**

Exhibit H presents the forecast Net Revenues and the calculation of forecast debt service coverage according to the Rate Covenant of the Ordinance. Net Revenues, together with consideration of amounts in the Prepaid Airline Fund and Coverage



Fund, are forecast to exceed the 125% requirement of the Rate Covenant in each year of the forecast period for Revenue Bonds.

The forecast Revenue Bond debt service coverage margins shown in Exhibit H result primarily from:

- Funding of 125% of Revenue Bond Debt Service Requirements annually through 2005 and amortization of certain Authority assets in the airline rate base
- Consideration of amounts in the Prepaid Airline Fund and Coverage Fund in the calculation of debt service coverage
- Annual funding of the Capital Improvement Fund, also subordinate to the payment of debt service, in the amount of 25% of nonairline operating revenue

For 2003 through 2010, Net Revenues, together with consideration of amounts in the Prepaid Airline Fund and Coverage Fund, are forecast to exceed 125% of the Debt Service Requirements for all Revenue Bonds, including the 2003A Bonds and Planned Bonds.

## **SENSITIVITY ANALYSIS**

As stated previously, the forecast of enplaned passengers reflects a return to historical passenger growth rates in 2007-2010 following a recovery of passenger traffic in 2003-2006 following the 2001-2002 downturn in traffic that resulted from the terrorist attacks on September 11, 2001 and the weak economy. The forecast suggests that the number of enplaned passengers achieved at the Airport in 2000 would be reached some time in 2004.

In the interim, it may be difficult to determine the length of the recovery to historic enplanement levels. As such, a sensitivity analysis was prepared to evaluate the effect on passenger airlines cost per enplaned passenger and debt service coverage assuming a slower recovery in enplaned passengers and airline landed weights.

It was assumed that:

- Enplaned passengers would not fully recover from the 2001-2002 downturn in traffic to reach the historical, long-term trend by 2010. Enplaned passengers would grow from the 2002 projection by approximately 6% in 2003 and would grow at historical passenger growth rates thereafter (approximately 3%).

- Passenger airline departures and landed weight capacity would be reduced. In 2003, passenger airline landed weight would be reduced by approximately 18% and would grow over the forecast period to approximately 90% of the landed weight reflected in the base case forecast in 2010.
- Cargo landed weight (primarily comprised of Federal Express) would grow at a modest rate. Beginning in 2003, cargo landed weight would grow at approximately 5% annually, and would reach approximately 80% of the cargo landed weight reflected in the base case forecast.

Under the sensitivity analysis, the number of enplaned passengers at the Airport is projected to grow more slowly in years 2003-2006 (not fully recovering to historic levels). In 2010, enplaned passengers are projected to be 4.5 million in the sensitivity, compared to 4.9 million in the forecast (which represents approximately 9% fewer enplanements in that year).

All other assumptions discussed in this report are the same, as reflected in the results presented below.

	2003 (a)	2004	2005	2006	2007	2008	2009	2010
Enplaned passengers								
Forecast	3,750,000	3,980,000	4,350,000	4,540,000	4,640,000	4,740,000	4,840,000	4,940,000
Sensitivity projection	3,667,000	3,784,000	3,901,000	4,018,000	4,135,000	4,252,000	4,369,000	4,486,000
Landed weight								
Forecast	11,219,000	11,745,000	12,650,000	13,310,000	13,915,000	14,565,000	15,260,000	16,000,000
Sensitivity projection	9,633,000	10,555,000	11,515,000	11,920,000	12,330,000	12,760,000	13,205,000	13,665,000
Passenger airline cost per enplaned passenger								
Forecast	\$7.41	\$7.93	\$8.21	\$7.52	\$8.54	\$10.09	\$10.34	\$11.23
Sensitivity projection	7.58	8.37	9.63	9.09	10.15	11.89	12.13	13.07
Debt service coverage ratio in Revenue Bonds and Subordinate Securities								
Forecast	171%	215%	189%	188%	203%	178%	187%	177%
Sensitivity projection	171%	214%	187%	185%	200%	176%	185%	176%

(a) Passenger airline payments used to calculate cost per enplaned passenger are based on budgeted rates and charges.

The “residual” nature of the Authority’s Airline Agreements provide the financial mechanism to mitigate the potential downside effects of lower air traffic activity and ensure that rates and charges can be established to meet the covenants of the Ordinance. As shown in the table above, debt service coverage ratios are maintained at nearly identical levels in the sensitivity projection.

Under the sensitivity projection, Net Revenues together with consideration of amounts in the Prepaid Airline Fund and Coverage Fund would still be more than sufficient to meet the Rate Covenant in each year of the forecast period.

Exhibit A

**CAPITAL IMPROVEMENT PROGRAM**  
Indianapolis Airport Authority  
managed by BAA Indianapolis LLC  
For Fiscal Years Ending December 31

	2001-2003 project costs (a)							[B] Total 2004-2010 project costs (f)	[A] + [B] Total CIP
	[A] Total 2001-2003 project costs	Federal grants (b)	PFC revenues pay-as-you-go (c)	Authority funds (d)	2003A Bonds		Subordinate Commercial Paper notes (e)		
					Available PFC revenues	Other revenues			
PLANNED AIRPORT PROJECTS									
Airfield									
Midfield Terminal Program elements	20,272,000	10,252,000	6,167,000	-	-	-	3,853,000	-	191,952,000
Taxiway "B"	19,521,000	13,200,000	6,321,000	-	-	-	-	-	19,521,000
W. perimeter/ six points connector	-	-	-	-	-	-	-	-	20,300,000
Transmission line relocation	210,000	-	-	100,000	-	-	110,000	-	18,670,000
Part 150 - land phases II-III	32,240,000	20,000,000	-	7,872,000	-	-	4,368,000	-	46,110,000
South of I-70 land acquisition	1,070,000	-	-	570,000	-	-	500,000	-	78,350,000
Fuel pipeline	420,000	-	-	420,000	-	-	-	-	8,030,000
Deicing control - North Airport	-	-	-	-	-	-	-	-	21,700,000
Other	34,450,000	3,314,000	187,000	24,048,000	-	-	6,901,000	-	8,060,000
									135,010,000
	\$108,183,000	\$46,766,000	\$12,675,000	\$33,010,000	\$0	\$0	\$15,732,000	\$0	\$502,873,000
Apron Area									
Midfield Terminal Program elements	10,163,000	-	10,163,000	-	-	-	-	-	63,119,000
Other	2,220,000	-	-	2,220,000	-	-	-	-	2,220,000
	\$12,383,000	\$0	\$10,163,000	\$2,220,000	\$0	\$0	\$0	\$0	\$65,339,000
Terminal Complex									
Midfield Terminal Program elements	17,392,000	-	-	-	-	-	17,392,000	-	498,266,000
Midfield Terminal Program checked bag screening	-	-	-	-	-	-	-	-	35,312,000
Existing terminal interim capacity	8,500,000	2,042,000	-	4,158,000	-	-	2,300,000	-	8,500,000
Other	29,970,000	16,300,000	-	6,670,000	-	-	1,900,000	5,100,000	46,790,000
	\$55,862,000	\$18,342,000	\$0	\$10,828,000	\$0	\$0	\$21,592,000	\$5,100,000	\$588,868,000
Parking and Roadways									
Midfield Terminal Program elements	37,564,000	-	18,782,000	-	15,098,000	-	3,684,000	-	186,182,000
Shuttle bus replacement program	2,850,000	-	-	2,850,000	-	-	-	-	7,850,000
Other	1,830,000	-	-	1,830,000	-	-	-	-	1,990,000
	\$42,244,000	\$0	\$18,782,000	\$4,680,000	\$15,098,000	\$3,684,000	\$0	\$0	\$196,022,000
Rented Buildings and Other Areas									
Midfield Terminal Program elements	-	-	-	-	-	-	-	-	-
Prefabricated hangar construction	2,200,000	-	-	2,200,000	-	-	-	-	2,200,000
Other	1,700,000	-	500,000	700,000	-	-	500,000	-	6,820,000
	\$3,900,000	\$0	\$500,000	\$2,900,000	\$0	\$0	\$500,000	\$0	\$9,020,000
Reliever Airports									
New Airport in Hendricks County	7,680,000	2,818,000	-	4,862,000	-	-	-	-	7,680,000
Other	3,540,000	1,350,000	-	2,190,000	-	-	-	-	19,050,000
	\$11,220,000	\$4,168,000	\$0	\$7,052,000	\$0	\$0	\$0	\$0	\$26,730,000
Total planned Airport project costs	\$233,792,000	\$69,276,000	\$42,120,000	\$60,690,000	\$15,098,000	\$41,508,000	\$5,100,000	\$15,510,000	\$1,388,852,000
Total Midfield Terminal Program (g)	\$ 85,391,000	\$ 10,252,000	\$ 35,112,000	\$ -	\$ 15,098,000	\$ 24,929,000	\$ -	\$ 854,128,000	\$ 939,519,000

Source: Authority's Capital Improvement Program dated November, 2002.

(a) Includes 2001, 2002, and 2003 projects to be funded, in part, with the 2003A Bonds.  
(b) Includes entitlement and discretionary grants-in-aid received and anticipated to be received by the Authority, including the FAA Letter of intent commitment dated April 15, 2002.

(c) Reflects passenger facility charge (PFC) revenues anticipated to be applied against approved project costs on a pay-as-you-go basis.

(d) Includes Authority funds from Airport cash flow, Prepaid Airline Fund, interest income, and proceeds from land sales.

(e) Represents the portion of the 2001-2003 project costs that the Authority intends to pay for with Subordinate Commercial Paper notes on an interim basis.

(f) The Authority intends to refund these Subordinate Commercial Paper notes in the future with Planned Bonds.

(g) Represents the capital project costs from 2004 through 2010 included in the Airport's capital improvement program (CIP).

(h) Costs shown for the Midfield Terminal Program do not include the estimated costs of the Midfield Terminal Program checked bag screening project.

Exhibit B

ESTIMATED PLAN OF FINANCE  
Indianapolis Airport Authority  
managed by BAA Indianapolis LLC  
For Fiscal Years Ending December 31

SOURCES OF FUNDS	Proposed 2003A Bonds		Funding 2001-2003 project costs		Subtotal	Planned Bonds		Total
	Commercial Paper refunding (Includes 1993 Bonds)	PFC (a)	Other (b)	Other (b)		PFC (a)	Other (b)	
Principal amount of Bonds	\$71,310,000	\$16,585,000	\$58,060,000	\$145,935,000		-	-	\$145,935,000
Transfers from Prior Issue Debt Service Funds	-	-	-	-		-	-	-
Transfers from Prior Issue DSR Funds	-	-	-	-		-	-	-
Principal amount of Planned Bonds	-	-	-	-		\$206,770,000	\$785,555,000	\$992,325,000
PFC Revenues (c)	-	-	\$42,120,000	\$42,120,000		-	\$36,720,000	\$78,840,000
Federal grants (d)	-	-	69,276,000	69,276,000		-	131,412,000	200,688,000
Subordinate Commercial Paper notes (e)	-	-	5,100,000	5,100,000		-	-	5,100,000
Authority funds (f)	-	-	60,690,000	60,690,000		-	146,054,000	206,744,000
<b>Total sources of funds</b>	<b>\$71,310,000</b>	<b>\$16,585,000</b>	<b>\$235,246,000</b>	<b>\$323,121,000</b>	<b>\$323,121,000</b>	<b>\$206,770,000</b>	<b>\$1,099,741,000</b>	<b>\$1,629,632,000</b>
<b>USES OF FUNDS</b>								
Principal refunding								
1993 Bonds	\$41,000,000	-	-	\$41,000,000		-	-	\$41,000,000
Commercial Paper outstanding	24,000,000	-	-	24,000,000		-	-	24,000,000
Estimated project costs	\$0	\$15,098,000	\$218,694,000	\$233,792,000		\$193,408,000	\$961,652,000	\$1,388,852,000
Debt Service Reserve Fund	5,594,000	1,300,000	4,555,000	11,449,000		12,326,000	87,270,000	91,045,000
Capitalized interest account	-	-	11,677,000	11,677,000		-	68,559,000	80,235,000
Costs of issuance	716,000	167,000	320,000	1,203,000		1,036,000	2,261,000	4,500,000
<b>Total uses of funds</b>	<b>\$71,310,000</b>	<b>\$16,585,000</b>	<b>\$235,246,000</b>	<b>\$323,121,000</b>	<b>\$323,121,000</b>	<b>\$206,770,000</b>	<b>\$1,099,741,000</b>	<b>\$1,629,632,000</b>

Source: First Albany Corporation, Plan of Financing dated December 6, 2002.

- (a) Reflects principal amounts of bonds issues where the Authority intends to use PFC revenues to pay Debt Service Requirements.  
 (b) Reflects principal amounts of bond issues where the Authority intends to include Debt Service Requirements in the calculation of airline rates and charges.  
 (c) Reflects PFC revenues received and anticipated to be received and applied against project costs on a pay-as-you-go basis.  
 (d) Reflects FAA entitlement and discretionary grants, including the FAA Letter of Intent commitment dated April 15, 2002.  
 (e) Represents project costs the Authority intends to fund with Subordinate Commercial Paper notes on an interim basis.  
 (f) Includes Authority funds from Airport cash flow, Prepaid Airline Fund, interest income, and proceeds from land sales.

Exhibit C

HISTORICAL, ESTIMATED, BUDGET AND FORECAST DEBT SERVICE REQUIREMENTS

ON REVENUE BONDS

Indianapolis Airport Authority  
managed by BAA Indianapolis LLC  
For Fiscal Years Ending December 31

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

	1999	Historical 2000	2001	Estimated 2002	Budget (a) 2003	2004	2005	2006	Forecast 2007	2008	2009	2010
<b>Debt Service Requirements on Revenue Bonds</b>												
General Obligation Bonds												
Revenue Bonds												
Series 1993 Bonds (b)	\$ 717,600	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Series 1996A Bonds (b)	3,794,774	3,745,274	3,742,234	3,740,000	-	-	-	-	-	-	-	-
Series 1996A Bonds (b) (c)	5,336,858	5,330,233	5,530,733	5,536,000	5,521,000	5,519,000	5,507,000	14,501,000	5,500,000	5,497,000	5,496,000	3,700,000
Series 1998 Refunding Bonds (b)	9,307,725	13,904,925	13,905,062	15,669,000	15,669,000	15,663,000	15,667,000	-	-	-	-	-
Proposed Series 2003A Bonds (b)	-	-	-	-	4,956,000	8,580,000	17,232,000	20,922,000	8,376,000	9,569,000	9,563,000	9,563,000
Planned Bonds (b)	-	-	-	-	-	11,706,000	14,829,000	21,097,000	42,899,000	58,676,000	57,742,000	69,845,000
Total Debt Service Requirements on Revenue Bonds	19,356,957	23,184,432	23,178,030	24,940,000	26,146,000	41,468,000	53,235,000	56,520,000	56,775,000	73,742,000	72,801,000	83,108,000
Less: committed PFC revenues (d)												
Proposed 2003A Bonds	-	-	-	-	(1,216,000)	(1,212,000)	(1,214,000)	(1,214,000)	(1,213,000)	(1,216,000)	(1,212,000)	(1,212,000)
Planned Bonds	-	-	-	-	-	(11,706,000)	(11,706,000)	(11,705,000)	(11,706,000)	(11,706,000)	(11,709,000)	(11,709,000)
Net Debt Service Requirements on Revenue Bonds	\$ 19,356,957	\$ 23,184,432	\$ 23,178,030	\$ 24,940,000	\$ 24,930,000	\$ 28,550,000	\$ 40,315,000	\$ 43,601,000	\$ 43,856,000	\$ 60,820,000	\$ 59,880,000	\$ 70,187,000
Required coverage on Revenue Bonds (e)	4,839,239	5,796,108	5,794,507	6,235,000	6,233,000	7,138,000	10,079,000	-	-	-	-	-
Net Debt Service Requirements plus coverage on Revenue Bonds	\$ 24,196,196	\$ 28,980,540	\$ 28,972,537	\$ 31,175,000	\$ 31,163,000	\$ 35,688,000	\$ 50,394,000	\$ 43,601,000	\$ 43,856,000	\$ 60,820,000	\$ 59,880,000	\$ 70,187,000
Subordinate Securities - Commercial Paper (f)												
Subordinate Securities - ATA (f, g)	\$ -	4,102,000	999,024	933,000	3,000,000	1,200,000	1,600,000	1,600,000	1,600,000	1,200,000	1,200,000	1,200,000
Net annual debt service requirements on Subordinate Securities	\$ 1,668,586	\$ 5,222,123	\$ 1,938,024	\$ 1,951,000	\$ 4,058,000	\$ 1,200,000	\$ 1,600,000	\$ 1,600,000	\$ 1,600,000	\$ 1,200,000	\$ 1,200,000	\$ 1,200,000
Required coverage on Subordinate Securities (h)	166,859	522,571	168,011	162,000	371,000	-	-	-	-	-	-	-
Net annual debt service requirements plus coverage on Subordinate Securities	\$ 1,835,445	\$ 5,744,694	\$ 2,106,035	\$ 2,113,000	\$ 4,429,000	\$ 1,200,000	\$ 1,600,000	\$ 1,600,000	\$ 1,600,000	\$ 1,200,000	\$ 1,200,000	\$ 1,200,000
<b>Total annual debt service requirements</b>	<b>\$ 26,031,640</b>	<b>\$ 34,725,234</b>	<b>\$ 31,078,571</b>	<b>\$ 33,288,000</b>	<b>\$ 35,592,000</b>	<b>\$ 36,888,000</b>	<b>\$ 51,994,000</b>	<b>\$ 45,201,000</b>	<b>\$ 45,456,000</b>	<b>\$ 62,020,000</b>	<b>\$ 61,080,000</b>	<b>\$ 71,387,000</b>
<b>Summary by Airport System Cost Center (i)</b>												
Airfield Area												
Apron Area	\$ 2,558,495	\$ 3,283,091	\$ 3,299,782	\$ 3,614,000	\$ 3,650,000	\$ 3,894,000	\$ 4,145,000	\$ 2,137,000	\$ 2,785,000	\$ 3,601,000	\$ 3,553,000	\$ 3,994,000
Other Airfield Areas	12,853,869	20,079,172	16,718,018	18,150,000	19,486,000	20,410,000	29,991,000	21,980,000	16,650,000	23,019,000	22,674,000	26,857,000
Terminal Complex	4,689,926	5,138,367	5,443,163	5,638,000	6,281,000	7,498,000	10,871,000	12,373,000	17,091,000	23,282,000	22,908,000	26,954,000
Parking Area (including access roadways)	3,110,260	3,779,857	3,553,671	3,677,000	3,903,000	3,937,000	5,006,000	6,330,000	6,776,000	9,109,000	8,986,000	9,981,000
Rented Buildings and Other Areas	983,647	1,172,199	1,023,912	1,082,000	1,086,000	1,124,000	1,843,000	2,184,000	2,061,000	2,868,000	3,426,000	3,821,000
Reliever Airports	-	40,613	7,515	7,000	23,000	25,000	138,000	197,000	93,000	141,000	138,000	175,000
Subordinate Securities plus coverage - ATA	\$ 24,196,196	\$ 33,493,099	\$ 30,046,061	\$ 32,168,000	\$ 34,428,000	\$ 36,888,000	\$ 51,994,000	\$ 45,201,000	\$ 45,456,000	\$ 62,020,000	\$ 61,080,000	\$ 71,387,000
	1,835,445	1,232,135	1,032,511	1,120,000	1,164,000	-	-	-	-	-	-	-
<b>Total annual debt service requirements (j)</b>	<b>\$ 26,031,640</b>	<b>\$ 34,725,234</b>	<b>\$ 31,078,571</b>	<b>\$ 33,288,000</b>	<b>\$ 35,592,000</b>	<b>\$ 36,888,000</b>	<b>\$ 51,994,000</b>	<b>\$ 45,201,000</b>	<b>\$ 45,456,000</b>	<b>\$ 62,020,000</b>	<b>\$ 61,080,000</b>	<b>\$ 71,387,000</b>

Source: Historical data based on Indianapolis Airport Authority records. Forecast data based on First Albany Corporation, Plan of Financing dated December 6, 2002.

- (a) Based on FY 2003 budget.
- (b) Represents the Revenue Bond annual Debt Service Requirements.
- (c) Debt service on the Series 1996A Bonds for 2006-2009 reflects the redemption of certain additional principal amounts.
- (d) Reflects expected passenger facility charge (PFC) Use Approval which will enable the Authority to pay a portion of the annual Debt Service Requirements on the 2003A Bonds and the Planned Bonds with PFC revenues.
- (e) From 1999 through 2005, reflects annual coverage requirements equal to 25% of the Revenue Bond Debt Service Requirements on the outstanding bonds including the 2003A Bonds. At year-end 2005, the Authority intends to fund the Coverage Fund equal to 25% of the subsequent year's annual Revenue Bond Debt Service Requirements.
- (f) Represents principal and interest payments on Subordinate Securities.
- (g) Represents interest expense on two term loans (Note No. 3 and Note No. 4) that are considered Subordinate Securities.
- (h) From 1999 through 2003, reflects annual coverage requirements equal to 10% of the principal and interest requirements on Subordinate Securities. Beginning in 2004, the Authority does not intend to include the annual coverage requirement on Subordinate Securities.
- (i) Total annual debt service requirements plus coverage are allocated based on the capital projects financed with each bond issue.
- (j) Total annual debt service requirements include annual debt service coverage on the Series 1993, Series 1996A, Series 1998, and Series 2003A Bonds through 2005.

Exhibit D

HISTORICAL, ESTIMATED, BUDGET, AND FORECAST OPERATION AND MAINTENANCE EXPENSES  
AND AIRPORT SYSTEM COST CENTER ALLOCATIONS

Indianapolis Airport Authority  
managed by BAA Indianapolis LLC  
For Fiscal Years Ending December 31

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

	Historical			Estimated	Budget (a)	Forecast							
	1999	2000	2001			2002	2003	2004	2005	2006	2007	2008	2009
Direct													
Personal services	\$ 7,125,360	\$ 8,138,251	\$ 8,483,462	\$ 8,871,000	\$ 8,914,000	\$ 9,248,000	\$ 9,595,000	\$ 9,955,000	\$ 10,328,000	\$ 10,715,000	\$ 11,117,000	\$ 11,534,000	
Contractual services	2,117,427	2,450,594	1,994,400	2,298,000	2,237,000	2,321,000	2,408,000	2,498,000	2,592,000	2,689,000	2,790,000	2,895,000	
Utilities	1,726,440	1,896,466	2,367,312	2,825,000	2,603,000	2,701,000	2,802,000	2,907,000	3,016,000	3,129,000	3,246,000	3,368,000	
Supplies	1,218,580	1,451,701	1,067,021	1,200,000	1,369,000	1,420,000	1,473,000	1,528,000	1,585,000	1,644,000	1,706,000	1,770,000	
Materials	732,409	946,213	871,300	656,000	649,000	673,000	698,000	724,000	751,000	779,000	808,000	838,000	
General	501,189	526,075	596,252	952,000	1,213,000	1,258,000	1,305,000	1,354,000	1,405,000	1,458,000	1,513,000	1,570,000	
Adjustment for midfield terminal (b)	-	-	-	-	-	-	-	-	3,881,000	4,221,000	4,373,000	4,530,000	
	\$ 13,421,406	\$ 15,409,300	\$ 15,379,747	\$ 16,802,000	\$ 16,985,000	\$ 17,621,000	\$ 18,281,000	\$ 18,966,000	\$ 23,558,000	\$ 24,635,000	\$ 25,553,000	\$ 26,505,000	
Indirect													
Public safety	\$ 3,018,413	\$ 3,821,110	\$ 7,565,752	\$ 4,571,000	\$ 4,631,000	\$ 4,805,000	\$ 4,985,000	\$ 5,172,000	\$ 5,366,000	\$ 5,567,000	\$ 5,776,000	\$ 5,993,000	
Administration	6,118,829	6,930,640	6,651,026	7,562,000	8,364,000	8,678,000	9,003,000	9,341,000	9,691,000	10,054,000	10,431,000	10,822,000	
Incremental security (c)	-	-	502,697	3,675,000	5,605,000	5,815,000	6,033,000	6,259,000	6,259,000	6,259,000	6,259,000	6,259,000	
	\$ 9,137,242	\$ 10,751,750	\$ 14,719,475	\$ 15,808,000	\$ 18,600,000	\$ 19,298,000	\$ 20,021,000	\$ 20,772,000	\$ 21,316,000	\$ 21,890,000	\$ 22,466,000	\$ 23,074,000	
Subtotal--Operating expenses	\$ 22,558,648	\$ 26,161,050	\$ 30,099,222	\$ 32,610,000	\$ 35,585,000	\$ 36,919,000	\$ 38,302,000	\$ 39,738,000	\$ 44,874,000	\$ 46,515,000	\$ 48,019,000	\$ 49,579,000	
Equipment and capital outlays	\$ 206,848	\$ 205,579	\$ 220,378	34,000	50,000	200,000	208,000	216,000	224,000	232,000	241,000	250,000	
Total Operation and Maintenance Expenses	\$ 22,765,496	\$ 26,366,629	\$ 30,319,600	\$ 32,644,000	\$ 35,635,000	\$ 37,119,000	\$ 38,510,000	\$ 39,954,000	\$ 45,098,000	\$ 46,747,000	\$ 48,260,000	\$ 49,829,000	
Annual percent increase (d)	3.2%	15.8%	15.0%	7.7%	9.2%	4.2%	3.7%	3.7%	12.9%	3.7%	3.2%	3.3%	
Summary allocation by Airport System Cost Center													
Airfield Area	\$ 147,657	\$ 259,010	\$ 250,573	\$ 624,000	\$ 849,000	\$ 884,000	\$ 917,000	\$ 952,000	\$ 1,074,000	\$ 1,114,000	\$ 1,150,000	\$ 1,187,000	
Apron Area	7,486,087	8,639,994	8,440,033	10,341,000	11,283,000	11,753,000	12,193,000	12,650,000	14,278,000	14,800,000	15,279,000	15,776,000	
Other Airfield Areas	9,060,871	9,939,099	13,226,803	12,901,000	14,275,000	14,871,000	15,428,000	16,005,000	18,067,000	18,727,000	19,333,000	19,962,000	
Terminal Complex	3,957,599	5,382,952	5,790,711	6,039,000	6,338,000	6,602,000	6,849,000	7,106,000	8,021,000	8,314,000	8,583,000	8,863,000	
Parking Area (including roadways)	1,051,554	816,712	1,215,726	1,203,000	1,271,000	1,324,000	1,374,000	1,425,000	1,609,000	1,721,000	1,777,000	1,838,000	
Rented Buildings and Other Areas	1,061,729	1,328,863	1,395,754	1,536,000	1,619,000	1,686,000	1,750,000	1,815,000	2,049,000	2,124,000	2,193,000	2,264,000	
Reliever Airports													
	\$ 22,765,496	\$ 26,366,629	\$ 30,319,600	\$ 32,644,000	\$ 35,635,000	\$ 37,119,000	\$ 38,510,000	\$ 39,954,000	\$ 45,098,000	\$ 46,747,000	\$ 48,260,000	\$ 49,829,000	

Source: Indianapolis Airport Authority and BAA Indianapolis LLC.

(a) Based on FY 2003 budget.

(b) Represents an increase in O&M expenses in correlation with the increase in estimated square footage of the new terminal.

(c) Reflects post September 11, 2001 incremental security costs net of anticipated grant reimbursements

(d) Excluding the City payment of \$3.1 million, 2001 actual expenses increased by 3.3% from actual 2000. Estimated 2002 is shown to be 7.7% higher than actual 2001.

Exhibit E

HISTORICAL, ESTIMATED, BUDGET AND FORECAST NONAIRLINE REVENUES

Indianapolis Airport Authority  
managed by BAA Indianapolis LLC  
For Fiscal Years Ending December 31

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

	Historical		Estimated		Budget (a)		Forecast					
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Airfield Area</b>												
Aviation fuel sales	\$ 325,923	\$ 404,103	\$ 275,102	\$ 255,000	\$ 274,000	\$ 281,000	\$ 288,000	\$ 295,000	\$ 302,000	\$ 310,000	\$ 318,000	\$ 326,000
Ground handling	94,313	98,450	110,354	140,000	188,000	193,000	198,000	203,000	208,000	213,000	218,000	223,000
Other	2,994	9,602	14,714	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
<b>\$ 423,230</b>	<b>\$ 512,155</b>	<b>\$ 400,170</b>	<b>\$ 400,000</b>	<b>\$ 400,000</b>	<b>\$ 467,000</b>	<b>\$ 479,000</b>	<b>\$ 491,000</b>	<b>\$ 503,000</b>	<b>\$ 515,000</b>	<b>\$ 528,000</b>	<b>\$ 541,000</b>	<b>\$ 554,000</b>
<b>Terminal Complex</b>												
Terminal building												
Space rentals—other	\$ 111,504	\$ 128,725	\$ 139,720	\$ 149,000	\$ 174,000	\$ 178,000	\$ 182,000	\$ 187,000	\$ 192,000	\$ 197,000	\$ 202,000	\$ 207,000
Concessions (b)												
Food/beverage	\$ 923,921	\$ 1,601,357	\$ 1,712,314	\$ 1,848,000	\$ 2,048,000	\$ 2,176,000	\$ 2,432,000	\$ 2,595,000	\$ 2,984,000	\$ 3,505,000	\$ 3,660,000	\$ 3,820,000
News/gifts	743,701	777,950	845,194	973,000	1,031,000	1,095,000	1,224,000	1,306,000	1,502,000	1,765,000	1,843,000	1,923,000
Telephone	503,510	517,115	495,014	480,000	440,000	437,000	500,000	522,000	533,000	545,000	556,000	568,000
Specialty shops	621,500	705,399	599,391	501,000	569,000	605,000	676,000	721,000	829,000	974,000	1,017,000	1,061,000
Advertising	467,832	597,537	630,293	648,000	775,000	823,000	920,000	982,000	1,129,000	1,327,000	1,385,000	1,445,000
Other concessions	213,388	246,781	227,147	239,000	340,000	361,000	404,000	431,000	495,000	582,000	608,000	634,000
	\$ 3,473,852	\$ 4,446,139	\$ 4,509,353	\$ 4,689,000	\$ 5,203,000	\$ 5,517,000	\$ 6,156,000	\$ 6,557,000	\$ 7,472,000	\$ 8,698,000	\$ 9,069,000	\$ 9,451,000
Other	430,559	537,209	551,921	432,000	452,000	462,000	472,000	483,000	543,000	624,000	638,000	652,000
<b>\$ 4,015,915</b>	<b>\$ 5,112,073</b>	<b>\$ 5,200,994</b>	<b>\$ 5,270,000</b>	<b>\$ 5,829,000</b>	<b>\$ 6,157,000</b>	<b>\$ 6,810,000</b>	<b>\$ 7,227,000</b>	<b>\$ 7,657,000</b>	<b>\$ 8,207,000</b>	<b>\$ 9,519,000</b>	<b>\$ 9,909,000</b>	<b>\$ 10,310,000</b>
<b>Total Terminal Complex revenues</b>												
Hotel (net revenues) (c)	-	-	-	-	-	-	-	-	-	500,000	750,000	1,000,000
Existing terminal building (net revenues) (d)										500,000	625,000	750,000
Administration building—space rentals	305,742	288,510	290,340	291,000	290,000	297,000	304,000	311,000	350,000	403,000	412,000	421,000
Parking Area (e)	20,588,054	22,766,113	22,742,944	20,660,000	23,335,000	24,491,000	27,036,000	28,499,000	31,311,000	32,626,000	33,980,000	35,376,000
Fuel convenience center	100,839	154,800	137,538	161,000	161,000	161,000	165,000	169,000	173,000	177,000	181,000	186,000
Rental cars (e)	6,189,217	6,670,145	5,923,642	6,050,000	6,666,000	7,031,000	7,800,000	8,263,000	8,571,000	8,931,000	9,302,000	9,684,000
<b>Rented Buildings and Other Areas</b>												
Airline rental payments (f)	\$ 1,668,586	\$ 1,499,423	\$ 1,021,933	\$ 1,018,000	\$ 1,018,000	\$ 1,058,000	\$ 1,058,000	\$ 1,058,000	\$ 1,058,000	\$ 1,058,000	\$ 1,058,000	\$ 1,058,000
Building, hangar, and ground leases	5,427,253	6,124,055	6,539,112	6,957,000	7,947,000	8,146,000	8,350,000	8,559,000	8,773,000	8,992,000	9,217,000	9,447,000
Farm income	172,925	167,788	156,969	154,000	94,000	96,000	98,000	100,000	103,000	106,000	109,000	112,000
Foreign Trade Zone	429,991	428,945	400,642	379,000	470,000	482,000	494,000	506,000	519,000	532,000	545,000	559,000
Other	166,860	264,194	265,549	164,000	249,000	255,000	261,000	268,000	275,000	282,000	289,000	296,000
<b>\$ 7,865,615</b>	<b>\$ 8,484,405</b>	<b>\$ 8,384,205</b>	<b>\$ 8,672,000</b>	<b>\$ 9,778,000</b>	<b>\$ 10,037,000</b>	<b>\$ 10,037,000</b>	<b>\$ 10,261,000</b>	<b>\$ 10,491,000</b>	<b>\$ 10,728,000</b>	<b>\$ 10,970,000</b>	<b>\$ 11,218,000</b>	<b>\$ 11,472,000</b>
<b>Reliever Airports</b>												
	1,371,215	1,421,850	1,590,709	1,857,000	2,167,000	2,221,000	2,277,000	2,334,000	2,392,000	2,452,000	2,513,000	2,576,000
<b>Total nonairline revenues other than interest income</b>	<b>\$ 40,859,827</b>	<b>\$ 45,410,051</b>	<b>\$ 44,670,542</b>	<b>\$ 43,361,000</b>	<b>\$ 48,693,000</b>	<b>\$ 50,874,000</b>	<b>\$ 55,144,000</b>	<b>\$ 57,797,000</b>	<b>\$ 62,247,000</b>	<b>\$ 66,606,000</b>	<b>\$ 69,431,000</b>	<b>\$ 72,329,000</b>
less: Federal Payments	(305,000)	(284,874)	(391,319)	(391,000)	(391,000)	(391,000)	(391,000)	(391,000)	(391,000)	(391,000)	(391,000)	(391,000)
<b>Total nonairline revenues</b>	<b>\$ 40,554,827</b>	<b>\$ 45,125,177</b>	<b>\$ 44,279,223</b>	<b>\$ 42,970,000</b>	<b>\$ 48,302,000</b>	<b>\$ 50,483,000</b>	<b>\$ 54,753,000</b>	<b>\$ 57,406,000</b>	<b>\$ 61,856,000</b>	<b>\$ 66,215,000</b>	<b>\$ 69,040,000</b>	<b>\$ 71,938,000</b>

Source: Indianapolis Airport Authority and BAA Indianapolis LLC.

Source: Indianapolis Airport Authority and BAA Indianapolis LLC.

- (a) Based on FY 2003 budget.  
(b) Projected terminal concession revenues are tied to projected enplanements and an inflation factor plus an increase of 25% with the opening of the midfield terminal.  
(c) Estimated revenues associated with the planned new hotel project.  
(d) Estimated revenues associated with future uses of the existing terminal building.  
(e) Parking and rental car revenue projections are tied to projected enplanements and an annual growth factor of 1.0%-2.0%. Parking revenue projections include an increase of 7.5% with the opening of the midfield terminal.  
(f) Reflects the rental revenues for airline projects financed by the Authority with internally generated funds of the Airport System.

Exhibit F-1

CALCULATION OF AIRLINE TERMINAL COMPLEX RENTAL RATES

Indianapolis Airport Authority  
managed by BAA Indianapolis LLC  
For Fiscal Years Ending December 31

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

COSTS ALLOCABLE TO THE TERMINAL COMPLEX

	Estimated 2002	Budget 2003	2004	2005	2006	Forecast 2007	2008	2009	2010
<b>Calculation of equalized rate component (a)</b>									
Operation and Maintenance Expenses	\$ 12,901,000	\$ 14,275,000	\$ 14,871,000	\$ 15,428,000	\$ 16,005,000	\$ 18,067,000	\$ 18,727,000	\$ 19,333,000	\$ 19,962,000
+ BAA compensation	921,000	1,101,000	1,317,000	1,337,000	1,357,000	1,376,000	1,396,000	1,416,000	1,436,000
+ Operation and Maintenance Reserve Fund (b)	158,000	1,194,000	135,000	96,000	100,000	347,000	113,000	104,000	108,000
+ Amortization of Authority-funded Capital Improvements (c)	3,709,000	3,273,000	3,450,000	3,528,000	3,449,000	4,480,000	5,912,000	6,723,000	7,521,000
Debt Service Requirements									
Series 1993 Bonds (d)	422,000	-	-	-	-	-	-	-	-
Series 1996A (d)	237,000	236,000	236,000	235,000	495,000	2,395,000	2,394,000	2,394,000	1,611,000
Series 1998 Refunding Bonds (d)	1,919,000	1,919,000	1,918,000	1,919,000	-	-	-	-	-
Proposed Series 2003A Bonds (e)	-	422,000	1,615,000	4,676,000	4,778,000	965,000	1,184,000	1,184,000	1,184,000
Planned Bonds	-	-	-	-	-	12,445,000	18,741,000	18,368,000	23,197,000
Subordinate Securities	284,000	934,000	960,000	1,280,000	1,280,000	1,280,000	960,000	960,000	960,000
<b>Terminal Complex costs</b>	<b>\$ 20,551,000</b>	<b>\$ 23,354,000</b>	<b>\$ 24,502,000</b>	<b>\$ 28,499,000</b>	<b>\$ 27,464,000</b>	<b>\$ 41,355,000</b>	<b>\$ 49,427,000</b>	<b>\$ 50,482,000</b>	<b>\$ 55,979,000</b>
- Terminal Complex nonairline revenues (f)	5,270,000	5,829,000	6,157,000	6,810,000	7,227,000	8,207,000	9,519,000	9,909,000	10,310,000
- Credit (deficit) from prior year	956,000	(2,601,000)	(3,824,000)	(3,415,000)	(2,971,000)	(2,658,000)	(2,393,000)	(3,185,000)	(3,293,000)
- Allowance for Authority executive office space (g)	162,000	162,000	162,000	162,000	162,000	162,000	162,000	162,000	162,000
- Administration building space rents	291,000	290,000	297,000	304,000	311,000	350,000	403,000	412,000	421,000
- Security fees	355,000	379,000	398,000	435,000	454,000	464,000	474,000	484,000	532,000
- Terminal gate use fees (h)	207,000	355,000	379,000	445,000	510,000	562,000	661,000	725,000	778,000
<b>= Adjusted common Terminal Complex costs</b>	<b>\$ 13,310,000</b>	<b>\$ 18,940,000</b>	<b>\$ 20,933,000</b>	<b>\$ 23,758,000</b>	<b>\$ 21,771,000</b>	<b>\$ 34,268,000</b>	<b>\$ 40,601,000</b>	<b>\$ 41,975,000</b>	<b>\$ 47,069,000</b>
/ Rentable Space (square feet) (i)	415,597	415,597	415,597	415,597	415,597	434,045	452,493	452,493	452,493
<b>= Average rate per square foot</b>	<b>\$32.03</b>	<b>\$45.57</b>	<b>\$50.37</b>	<b>\$57.17</b>	<b>\$52.38</b>	<b>\$78.95</b>	<b>\$89.73</b>	<b>\$92.76</b>	<b>\$104.02</b>



Exhibit F-1 (2 of 3)  
**CALCULATION OF AIRLINE TERMINAL COMPLEX RENTAL RATES**  
 Indianapolis Airport Authority  
 managed by BAA Indianapolis LLC  
 For Fiscal Years Ending December 31

	Estimated 2002	Budget 2003	2004	2005	2006	Forecast 2007	2008	2009	2010
<b>Calculation of Concourse C rental rate (l)</b>									
Debt Service Requirements plus Coverage Series 1996A Bonds (k)									
/ Concourse C Rentable Space (square feet) (i)									
x Airline Rentable Concourse C space (square feet) (l)									
= Net Concourse C Debt Service Requirement									
Net Concourse C Debt Service Requirement per square foot									
+ Average rate per square foot									
Effective Concourse C rental rate per square foot									
x Airline Concourse C Rentable Space (square feet) (i)									
<b>Concourse C space rents</b>									
[A]									

**Exhibit F-1 (3 of 3)**  
**CALCULATION OF AIRLINE TERMINAL COMPLEX RENTAL RATES**  
Indianapolis Airport Authority  
managed by BAA Indianapolis LLC  
For Fiscal Years Ending December 31

	Estimated 2002	Budget 2003	2004	2005	2006	Forecast 2007	2008	2009	2010
Calculation of Concourse D—Expansion rental rate (j)									
Average rate per square foot	\$32.03	\$45.57	\$50.37	\$57.17	\$52.38	\$0.00	\$0.00	\$0.00	\$0.00
Effective Concourse D-Expansion rental rate per square foot	\$32.03	\$45.57	\$50.37	\$57.17	\$52.38	\$0.00	\$0.00	\$0.00	\$0.00
x Airline Rentable Concourse D-Expansion space (square feet) (i)	12,219	12,219	12,219	12,219	12,219	-	-	-	-
Concourse D—Expansion space rents	\$ 391,000	\$ 557,000	\$ 615,000	\$ 699,000	\$ 640,000	\$ -	\$ -	\$ -	\$ -
Calculation of Existing Terminal Building rental rate (j)									
Debt Service Requirements plus Coverage Series 1996A Bonds (i)	\$ 1,644,000	\$ 1,639,000	\$ 1,639,000	\$ 1,635,000	\$ 3,445,000	\$ -	\$ -	\$ -	\$ -
/ Rentable Space (excluding Concourse C and Concourse D-Expansion) (square feet) (i)	\$ 1,644,000	\$ 1,639,000	\$ 1,639,000	\$ 1,635,000	\$ 3,445,000	\$ -	\$ -	\$ -	\$ -
= Existing Terminal Building Debt Service Requirements per square foot	328,847	328,847	328,847	328,847	328,847	434,045	452,493	452,493	452,493
+ Average rate per square foot	\$5.00	\$4.98	\$4.98	\$4.97	\$10.48	\$0.00	\$0.00	\$0.00	\$0.00
x Airline Rentable Space (square feet) (i)	32,03	45,57	50,37	57,17	52,38	78,95	89,73	92,76	104,02
Existing Terminal Building space rents	\$37,03	\$50,55	\$55,35	\$62,14	\$62,86	\$78,95	\$89,73	\$92,76	\$104,02
Total Airline Terminal Complex Requirement	251,197	251,198	251,198	251,198	251,198	303,103	355,009	355,009	355,009
Actual Terminal Complex rent received (m)	\$9,302,000	\$12,698,000	\$13,905,000	\$15,610,000	\$15,789,000	\$23,930,000	\$31,855,000	\$32,931,000	\$36,928,000
Credit (deficit) carried forward to subsequent year	\$12,903,000	\$17,382,000	\$18,973,000	\$21,222,000	\$22,154,000	\$23,930,000	\$31,855,000	\$32,931,000	\$36,928,000
	11,826,000	\$13,558,000	\$15,558,000	\$18,251,000	\$19,496,000	\$21,537,000	\$28,670,000	\$29,638,000	\$33,235,000
	(\$1,077,000)	(\$3,824,000)	(\$3,415,000)	(\$2,971,000)	(\$2,658,000)	(\$2,393,000)	(\$3,185,000)	(\$3,293,000)	(\$3,693,000)

- (a) In accordance with Section 8.04 of the Airline Agreement.
- (b) Required supplemental deposit to maintain fund at two months of the annual budgeted Operation and Maintenance (O&M) Expenses allocable to the Terminal Complex. Note that O&M Expenses include foreign trade zone and BAAI compensation and exclude capitalized salaries.
- (c) Amortization of Authority-funded Terminal Complex Capital Improvements.
- (d) Pro rata portion of Series 1993, 1996, and 1998 Revenue Bonds allocable to the Public areas of the Terminal Building.
- (e) Pro Rata portion of Series 2003A Bond debt service allocable to the Terminal Building.
- (f) Includes Terminal Complex concessions plus other terminal building space rentals.
- (g) Credit for cost of Authority space.
- (h) Revenues received from "per use - fees" on vacant gates.
- (i) Source: Indianapolis Airport Authority records. Terminal square footage in 2007 represents the average rentable space between the new and existing terminals.
- (j) A separate capital rate is calculated for Concourses C and D and the existing terminal to reflect their individual capital costs, which are then added to the equalized rate component.
- (k) Pro rata portion of Series 1996A Bonds allocable to Concourse C Rentable Space.
- (l) Less net Concourse C debt service and Concourse C Public areas Debt Service Requirements plus coverage through 2005.
- (m) BAAI estimates an occupancy rate of 78% in 2003. The occupancy rate is assumed to be 82% in 2004, 86% in 2005, 88% in 2006, and 90% in 2007-2010.

Exhibit F-2

**CALCULATION OF AIRLINE APRON AREA RENTAL RATE**  
Indianapolis Airport Authority  
managed by BAA Indianapolis  
For Fiscal Years Ending December 31

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

	Estimated 2002	Budget		Forecast						
		2003	2004	2005	2006	2007	2008	2009	2010	
<b>COSTS ALLOCABLE TO THE APRON AREA</b>										
Operation and Maintenance Expenses (a)	\$ 624,000	\$ 849,000	\$ 884,000	\$ 917,000	\$ 952,000	\$ 1,074,000	\$ 1,114,000	\$ 1,150,000	\$ 1,187,000	
+ BAA Management Compensation	12,000	17,000	20,000	21,000	21,000	21,000	22,000	22,000	22,000	
+ Deposits to Operation and Maintenance Reserve Fund (b)	158,000	201,000	6,000	6,000	6,000	20,000	7,000	6,000	6,000	
Debt Service Requirements										
Series 1993 Bonds (c)	64,000	-	-	-	-	-	-	-	-	
Series 1996A Bonds (c)	725,000	723,000	723,000	721,000	1,520,000	576,000	576,000	576,000	388,000	
Series 1998 Refunding Bonds (c)	2,809,000	2,810,000	2,809,000	2,810,000	-	-	-	-	-	
Proposed Series 2003A Bonds (d)	-	65,000	122,000	290,000	288,000	267,000	343,000	343,000	343,000	
Planned Bonds	-	-	-	4,000	9,000	1,622,000	2,442,000	2,394,000	3,023,000	
Subordinate Securities	16,000	52,000	240,000	320,000	320,000	320,000	240,000	240,000	240,000	
- Amortization of Authority-funded assets (e)	326,000	467,000	403,000	391,000	398,000	231,000	415,000	511,000	618,000	
- Apron gate use fees (f)	146,000	193,000	182,000	226,000	131,000	129,000	131,000	140,000	150,000	
- RON parking fees (g)	475,000	657,000	619,000	769,000	445,000	439,000	446,000	478,000	512,000	
- Credit (deficit) from prior year	408,000	(411,000)	-	-	-	-	-	-	-	
= Apron Area Requirement	\$ 3,705,000	\$ 4,746,000	\$ 5,025,000	\$ 4,485,000	\$ 2,938,000	\$ 3,563,000	\$ 4,582,000	\$ 4,624,000	\$ 5,165,000	
/ Total Apron Area (square feet)	1,286,763	1,286,763	1,286,763	1,286,763	1,286,763	1,686,288	2,085,814	2,085,814	2,085,814	
= Apron Area rental rate per square foot	\$2.88	\$3.69	\$3.91	\$3.49	\$2.28	\$2.11	\$2.20	\$2.22	\$2.48	
x Apron Area leased by airlines (square feet)	872,767	872,767	872,767	872,767	872,767	1,479,290	2,085,814	2,085,814	2,085,814	
= Apron Area rent	\$ 2,513,000	\$ 3,219,000	\$ 3,408,000	\$ 3,042,000	\$ 1,993,000	\$ 3,126,000	\$ 4,582,000	\$ 4,624,000	\$ 5,165,000	

- (a) Expenses allocable to the Apron Area.  
(b) Required supplemental deposit to maintain fund at two months of the annual budgeted Operation and Maintenance (O&M) Expenses allocable to the Apron. Note that O&M Expenses include foreign trade zone and BAAI compensation and exclude capitalized salaries.  
(c) Pro rata portion of Series 1993, 1996, and 1998 Revenue Bonds allocable to the Apron.  
(d) Pro Rata portion of Series 2003A Bond debt service allocable to the Apron.  
(e) Amortization of Authority-funded Area Capital Improvements.  
(f) Revenues received from "per use - fees" on vacant gates.  
(g) Remote overnight aircraft parking fees.

## CALCULATION OF SIGNATORY AIRLINE LANDING FEE RATE

Indianapolis Airport Authority  
managed by BAA Indianapolis LLC  
For Fiscal Years Ending December 31

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

Airport System Expense	Estimated 2002	Budget 2003	2004	2005	2006	Forecast				2009	2010
						2007	2008	2009	2010		
Operation and Maintenance Expenses (a)	\$ 32,644,000	\$ 35,635,000	\$ 37,119,000	\$ 38,510,000	\$ 39,954,000	\$ 45,098,000	\$ 46,747,000	\$ 48,260,000	\$ 49,829,000		
BAA Management Compensation (b)	2,300,000	2,800,000	3,350,000	3,400,000	3,450,000	3,500,000	3,550,000	3,601,000	3,652,000		
Deposit to Operation & Maintenance Reserve Fund (c)	690,000	2,136,000	339,000	240,000	249,000	866,000	283,000	261,000	270,000		
Debt Service Requirements (d)											
Series 1993 Bonds	4,675,000	-	-	-	-	-	-	-	-		
Series 1996A Bonds	6,920,000	6,901,000	6,899,000	6,884,000	14,501,000	5,500,000	5,497,000	5,496,000	3,700,000		
Series 1998 Refunding Bonds	19,580,000	19,586,000	19,578,000	19,584,000	-	-	-	-	-		
Proposed Series 2003A Bonds	-	4,675,000	9,209,000	20,024,000	19,708,000	7,162,000	8,353,000	8,351,000	8,351,000		
Planned Bonds	-	-	-	3,122,000	9,392,000	31,192,000	46,970,000	46,034,000	58,136,000		
Subordinate Securities	993,000	3,267,000	1,200,000	1,600,000	1,600,000	1,600,000	1,200,000	1,200,000	1,200,000		
Subordinate Securities (ATA)	1,120,000	1,164,000	-	-	-	-	-	-	-		
Amortization of Authority-funded Capital Improvements (e)	11,360,000	11,924,000	14,236,000	14,270,000	14,098,000	15,325,000	16,340,000	18,077,000	19,521,000		
Renewal and Replacement Fund	53,000	55,000	-	-	-	-	-	-	-		
Capital Improvement Fund requirement (f)	10,743,000	12,076,000	12,621,000	13,688,000	14,352,000	15,464,000	16,554,000	17,260,000	17,985,000		
<b>Total Airport System Expense</b>	<b>\$ 91,078,000</b>	<b>\$ 100,219,000</b>	<b>\$ 104,551,000</b>	<b>\$ 121,322,000</b>	<b>\$ 117,304,000</b>	<b>\$ 125,707,000</b>	<b>\$ 145,494,000</b>	<b>\$ 148,540,000</b>	<b>\$ 162,644,000</b>		
- Nonairline revenues	\$ 42,970,000	\$ 48,302,000	\$ 50,483,000	\$ 54,753,000	\$ 57,408,000	\$ 61,856,000	\$ 66,215,000	\$ 69,040,000	\$ 71,938,000		
- Allowance for credit (deficit) from prior year	2,203,000	(8,761,000)	-	-	-	-	-	-	-		
- Credit from prior year deposit in the Prepaid Airline Fund	10,682,000	3,139,000	11,326,000	18,759,000	14,504,000	9,864,000	16,753,000	12,576,000	15,829,000		
<b>= Revenues required from airline rents and fees</b>	<b>\$ 35,223,000</b>	<b>\$ 57,539,000</b>	<b>\$ 42,742,000</b>	<b>\$ 47,810,000</b>	<b>\$ 45,394,000</b>	<b>\$ 53,987,000</b>	<b>\$ 62,526,000</b>	<b>\$ 66,924,000</b>	<b>\$ 74,877,000</b>		
- Airline Terminal Complex rents	\$ 11,826,000	\$ 13,558,000	\$ 15,558,000	\$ 18,251,000	\$ 19,496,000	\$ 21,537,000	\$ 28,670,000	\$ 29,638,000	\$ 33,235,000		
- Airline Apron Area rents	2,102,000	3,219,000	3,408,000	3,042,000	1,993,000	3,126,000	4,582,000	4,624,000	5,165,000		
- Security fees	355,000	379,000	398,000	435,000	454,000	464,000	474,000	484,000	532,000		
- Gate use and RON fees (g)	828,000	1,205,000	561,000	1,440,000	1,086,000	1,130,000	1,238,000	1,343,000	1,440,000		
- Authority contribution (h)	-	21,077,000	-	-	-	-	-	-	-		
<b>= Airport System Requirement (landing fee revenue required)</b>	<b>\$ 20,112,000</b>	<b>\$ 18,101,000</b>	<b>\$ 22,817,000</b>	<b>\$ 24,642,000</b>	<b>\$ 22,365,000</b>	<b>\$ 27,730,000</b>	<b>\$ 27,562,000</b>	<b>\$ 30,835,000</b>	<b>\$ 34,505,000</b>		
Passenger airlines	5,415,000	5,851,000	5,980,000	6,440,000	6,620,000	6,710,000	6,805,000	6,900,000	7,000,000		
Cargo airlines	4,958,000	5,368,000	5,765,000	6,210,000	6,690,000	7,205,000	7,760,000	8,360,000	9,000,000		
/ Airline Total Landed Weight (1,000-pound units)	10,373,000	11,219,000	11,745,000	12,650,000	13,310,000	13,915,000	14,565,000	15,260,000	16,000,000		
<b>= Required landing fee rate (per 1,000-pound unit) (i)</b>	<b>\$ 1.94</b>	<b>\$ 1.61</b>	<b>\$ 1.94</b>	<b>\$ 1.95</b>	<b>\$ 1.68</b>	<b>\$ 1.99</b>	<b>\$ 1.89</b>	<b>\$ 2.02</b>	<b>\$ 2.16</b>		

(a) Expenses for the Airport System.

(b) Source: BAA Indianapolis LLC.

(c) Required supplemental deposit to maintain fund at two months of the annual budgeted Operation and Maintenance (O&M) Expenses. Note that O&M Expenses include foreign trade zone and BAAI compensation and exclude capitalized salaries.

(d) Debt Service Requirements plus coverage through 2003 included in rate base. See Exhibit C.

(e) Amortization of Authority-funded Capital Improvements.

(f) Equals 25% of nonairline operating revenues.

(g) Revenues received from "per use - fees" on vacant gates. Gate use and RON fees in the midfield terminal have been assumed to be equivalent to those in the existing terminal.

(h) One time Authority Contribution to reduce the budgeted requirement for FY 2003.

(i) Landing fee rate of \$1.15 is in effect for FY 2002.

## Exhibit G

**APPLICATION OF GROSS REVENUES AND FEDERAL PAYMENTS**  
Under Provisions of the Bond Ordinance  
Indianapolis Airport Authority  
managed by BAA Indianapolis LLC  
For Fiscal Years Ending December 31

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

	Estimated 2002	Budget 2003	2004	2005	2006	Forecast			
						2007	2008	2009	2010
<b>Revenues</b>									
Terminal Complex rents (a)	\$ 11,826,000	\$ 13,558,000	\$ 15,558,000	\$ 18,251,000	\$ 19,496,000	\$ 21,537,000	\$ 28,670,000	\$ 29,638,000	\$ 33,235,000
Apron Area rents (a)	2,102,000	3,219,000	3,408,000	3,042,000	1,993,000	3,126,000	4,582,000	4,624,000	5,165,000
Security fees (a)	355,000	379,000	398,000	435,000	484,000	474,000	474,000	484,000	532,000
Gate use and RON fees	828,000	1,205,000	561,000	1,440,000	1,066,000	1,130,000	1,238,000	1,343,000	1,440,000
Landing fees (a)									
Passenger airlines	5,816,000	9,440,000	11,617,000	12,545,000	11,124,000	13,372,000	12,877,000	13,942,000	15,096,000
Cargo airlines	5,535,000	8,661,000	11,200,000	12,097,000	11,241,000	14,358,000	14,685,000	16,893,000	19,409,000
<b>Total airline revenue</b>	<b>\$ 26,462,000</b>	<b>\$ 36,462,000</b>	<b>\$ 42,742,000</b>	<b>\$ 47,810,000</b>	<b>\$ 45,394,000</b>	<b>\$ 53,987,000</b>	<b>\$ 62,526,000</b>	<b>\$ 66,924,000</b>	<b>\$ 74,877,000</b>
Nonairline revenues	42,970,000	48,302,000	50,483,000	54,753,000	57,406,000	61,856,000	66,215,000	69,040,000	71,938,000
<b>Total Gross Revenues</b>	<b>\$ 69,432,000</b>	<b>\$ 84,764,000</b>	<b>\$ 93,225,000</b>	<b>\$ 102,563,000</b>	<b>\$ 102,800,000</b>	<b>\$ 115,843,000</b>	<b>\$ 128,741,000</b>	<b>\$ 135,964,000</b>	<b>\$ 146,815,000</b>
Federal Payments	391,000	391,000	391,000	391,000	391,000	391,000	391,000	391,000	391,000
Transfer from the Coverage Fund	-	-	-	-	-	-	-	-	-
Authority contribution to the Coverage Fund (b)	-	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>\$ 69,823,000</b>	<b>\$ 85,155,000</b>	<b>\$ 93,616,000</b>	<b>\$ 113,854,000</b>	<b>\$ 114,155,000</b>	<b>\$ 131,439,000</b>	<b>\$ 144,795,000</b>	<b>\$ 151,325,000</b>	<b>\$ 164,753,000</b>
Total passenger airline payments (c)	\$ 20,927,000	\$ 27,801,000	\$ 31,542,000	\$ 35,713,000	\$ 34,153,000	\$ 39,629,000	\$ 47,841,000	\$ 50,031,000	\$ 55,468,000
Enplaned Passengers	3,460,000	3,750,000	3,980,000	4,350,000	4,540,000	4,640,000	4,740,000	4,840,000	4,940,000
<b>Total cost per Enplaned Passenger (d)</b>	<b>[(A-B)/C] \$ 6.05</b>	<b>\$ 7.41</b>	<b>\$ 7.93</b>	<b>\$ 8.21</b>	<b>\$ 7.52</b>	<b>\$ 8.54</b>	<b>\$ 10.09</b>	<b>\$ 10.34</b>	<b>\$ 11.23</b>
<b>Application of revenues</b>									
Operation and Maintenance Fund	\$ 32,644,000	\$ 35,635,000	\$ 37,119,000	\$ 38,510,000	\$ 39,954,000	\$ 45,098,000	\$ 46,747,000	\$ 48,260,000	\$ 49,829,000
BAA management compensation	2,300,000	2,800,000	3,350,000	3,400,000	3,450,000	3,500,000	3,550,000	3,601,000	3,652,000
Revenue Bond Interest and Principal Fund									
Series 1993 Bonds	3,740,000	-	-	-	-	-	-	-	-
Series 1996A Bonds	5,521,000	5,521,000	5,519,000	5,507,000	14,501,000	5,500,000	5,497,000	5,496,000	3,700,000
Series 1998 Refunding Bonds	15,664,000	15,669,000	15,663,000	15,667,000	-	-	-	-	-
Proposed Series 2003A Bonds (e)	-	3,740,000	7,368,000	16,019,000	19,708,000	7,163,000	8,353,000	8,351,000	8,351,000
Planned Bonds (f)	-	-	-	3,122,000	9,392,000	31,192,000	46,970,000	46,034,000	58,136,000
Revenue Bond Reserve Fund									
Subordinate Securities Interest and Principal Fund									
Subordinate Securities	933,000	3,000,000	1,200,000	1,600,000	1,600,000	1,600,000	1,200,000	1,200,000	1,200,000
Subordinate Securities (ATA)	1,018,000	1,058,000	-	-	-	-	-	-	-
Operation and Maintenance Reserve Fund (f)	690,000	2,136,000	339,000	240,000	249,000	866,000	283,000	261,000	270,000
Renewal and Replacement Fund	53,000	55,000	-	-	-	-	-	-	-
Capital Improvement Fund (g)	4,106,000	4,215,000	4,299,000	4,385,000	4,473,000	4,562,000	4,653,000	4,746,000	4,841,000
Coverage Fund (h)	-	-	-	10,900,000	10,964,000	15,205,000	14,970,000	17,547,000	17,547,000
Prepaid Airline Fund	3,139,000	11,326,000	18,759,000	14,504,000	9,864,000	16,753,000	12,576,000	15,829,000	17,227,000
<b>Total application of revenues</b>	<b>\$ 69,823,000</b>	<b>\$ 85,155,000</b>	<b>\$ 93,616,000</b>	<b>\$ 113,854,000</b>	<b>\$ 114,155,000</b>	<b>\$ 131,439,000</b>	<b>\$ 144,795,000</b>	<b>\$ 151,325,000</b>	<b>\$ 164,753,000</b>

Source: Indianapolis Airport Authority and BAA Indianapolis.

(a) See Exhibit F-3

(b) Reflects Authority contributions to fund the Coverage Fund annually until a certain balance is obtained as determined by the Authority.

(c) The 2003 estimated passenger airline payments is based on the original budget prepared in July 2002 for purposes of calculating the cost per enplaned passenger.

(d) For purposes of the cost per enplaned passenger calculation, revenues exclude landing fee revenue from cargo carriers.

(e) Amounts in the Revenue Bond Interest and Principal Fund reflect Debt Service Requirements on Revenue Bonds less committed PFC revenues.

(f) Required supplemental deposit to maintain fund at two months of the annual budgeted Operation and Maintenance (O&M) Expenses.

Note that O&M Expenses include foreign trade zone and BAAI compensation and exclude capitalized salaries.

(g) Excludes deposit of interest income.

(h) Represents the coverage requirement of 25% of the principal and interest on the Revenue Bonds for the subsequent year.

## FORECAST DEBT SERVICE COVERAGE

Indianapolis Airport Authority  
managed by BAA Indianapolis  
For Fiscal Years Ending December

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

	Estimated 2002	Forecast								
		2003	2004	2005	2006	2007	2008	2009	2010	
Gross Revenues (a)	\$69,432,000	\$84,764,000	\$93,225,000	\$102,563,000	\$102,800,000	\$115,843,000	\$128,741,000	\$135,964,000	\$146,815,000	
Operation and Management Expenses (b)	32,644,000	35,635,000	37,119,000	38,510,000	39,954,000	45,098,000	46,747,000	48,260,000	49,829,000	
BAA management compensation (c)	2,300,000	2,800,000	3,350,000	3,400,000	3,450,000	3,500,000	3,550,000	3,601,000	3,652,000	
	\$34,944,000	\$38,435,000	\$40,469,000	\$41,910,000	\$43,404,000	\$48,598,000	\$50,297,000	\$51,861,000	\$53,481,000	
<b>Net Revenues</b>	<b>\$34,488,000</b>	<b>\$46,329,000</b>	<b>\$52,756,000</b>	<b>\$60,653,000</b>	<b>\$59,396,000</b>	<b>\$67,245,000</b>	<b>\$78,444,000</b>	<b>\$84,103,000</b>	<b>\$93,334,000</b>	
Coverage Fund (a)	-	-	-	-	10,964,000	15,205,000	14,970,000	17,547,000	17,547,000	
Transfers from Prepaid Airline Fund from previous year (a)	10,681,721	3,139,000	11,326,000	18,759,000	14,504,000	9,864,000	16,753,000	12,576,000	15,829,000	
<b>Net Revenues and Transfers from Prepaid Airline Revenue Fund</b>	<b>\$45,169,721</b>	<b>\$49,468,000</b>	<b>\$64,082,000</b>	<b>\$79,412,000</b>	<b>\$84,864,000</b>	<b>\$92,314,000</b>	<b>\$110,167,000</b>	<b>\$114,226,000</b>	<b>\$126,710,000</b>	
Debt Service Requirements on Revenue Bonds										
Series 1993 Bonds	3,740,000	-	-	-	-	-	-	-	-	
Series 1996A Bonds	5,536,000	5,521,000	5,519,000	5,507,000	14,501,000	5,500,000	5,497,000	5,496,000	3,700,000	
Series 1998 Refunding Bonds	15,664,000	15,669,000	15,663,000	15,667,000	-	-	-	-	-	
Proposed Series 2003A Bonds	-	3,740,000	7,368,000	16,019,000	19,708,000	7,163,000	8,353,000	8,351,000	8,351,000	
Planned Bonds	-	-	-	3,122,000	9,392,000	31,192,000	46,970,000	46,034,000	58,136,000	
Total Debt Service Requirements on Revenue Bonds	\$24,940,000	\$24,930,000	\$28,550,000	\$40,315,000	\$43,601,000	\$43,855,000	\$60,820,000	\$59,881,000	\$70,187,000	
Subordinate Securities	1,951,000	4,058,000	1,200,000	1,600,000	1,600,000	1,600,000	1,200,000	1,200,000	1,200,000	
Total annual debt service requirements	\$26,891,000	\$28,988,000	\$29,750,000	\$41,915,000	\$45,201,000	\$45,455,000	\$62,020,000	\$61,081,000	\$71,387,000	
<b>Revenue Bond debt service coverage</b>	<b>1.81</b>	<b>1.98</b>	<b>2.24</b>	<b>1.97</b>	<b>1.95</b>	<b>2.10</b>	<b>1.81</b>	<b>1.91</b>	<b>1.81</b>	
<b>Total debt service coverage ratio on Revenue Bonds and Subordinate Securities</b>	<b>1.68</b>	<b>1.71</b>	<b>2.15</b>	<b>1.89</b>	<b>1.88</b>	<b>2.03</b>	<b>1.78</b>	<b>1.87</b>	<b>1.77</b>	

(c) For illustrative purposes, the estimated BAA compensation payment is shown as a separate line item of expense. However, it is accounted for as

Operation and Maintenance Expenses.

**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY**

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# **Indianapolis Airport Authority**

Accountants' Report and Financial Statements

December 31, 2001 and 2000

# Indianapolis Airport Authority

December 31, 2001 and 2000

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## Independent Accountants' Report

To Members of the Board of  
Indianapolis Airport Authority

We have audited the accompanying financial statements of Indianapolis Airport Authority (Authority) as of and for the years ended December 31, 2001 and 2000, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indianapolis Airport Authority, as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, in 2001 the Authority changed its method of accounting for nonexchange transactions by retroactively restating prior years' financial statements.

The accompanying supplementary information and historical data, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. We previously expressed unqualified opinions on the 1992 through 1999 financial statements.

Solutions  
for  
Success

BKD, LLP  
March 1, 2002



# Indianapolis Airport Authority

## Balance Sheets

### December 31, 2001 and 2000

#### Assets

	2001	2000 (Restated- Note 1)
<b>Current Assets</b>		
Cash and cash equivalents	\$ 22,540,033	\$ 15,123,372
Receivable from BAA	861,538	—
Accounts receivable, net of allowance of \$175,000 and \$407,110	2,565,377	2,888,766
Unbilled revenues	1,914,763	2,167,539
Supplies and materials inventories	1,271,585	992,892
Other current assets	<u>199,999</u>	<u>147,253</u>
Total current assets	<u>29,353,295</u>	<u>21,319,822</u>
<b>Restricted Assets</b>		
Cash and cash equivalents - including \$76,573,080 and \$57,026,045 held by trustee	106,901,452	80,629,154
Investment securities - including \$0 and \$25,592,465 held by trustee	8,449,010	39,857,251
Accrued interest receivable	54,484	165,522
Grants receivable	5,151,242	260,797
Receivable - passenger facility charges	1,591,631	1,507,785
Receivable - State of Indiana	3,479,783	3,428,654
Accrued debt service rentals	<u>63,507,347</u>	<u>54,161,377</u>
Total restricted assets	<u>189,134,949</u>	<u>180,010,540</u>
<b>Property and Equipment</b>	<u>1,165,098,560</u>	<u>1,168,134,095</u>
<b>Other Assets</b>		
Rent receivable	2,573,281	2,465,439
Bond issue and loan administration costs, net	<u>5,585,464</u>	<u>6,095,801</u>
	<u>8,158,745</u>	<u>8,561,240</u>
Total assets	<u>\$ 1,391,745,549</u>	<u>\$ 1,378,025,697</u>

## Liabilities and Equity

	2001	2000 (Restated- Note 1)
<b>Current Liabilities</b>		
Accounts payable	\$ 794,953	\$ 839,557
Accounts payable – BAA	275,728	284,007
Accrued and withheld items (including compensated absences)	<u>2,227,618</u>	<u>1,794,234</u>
Total current liabilities	<u>3,298,299</u>	<u>2,917,798</u>
<b>Liabilities Payable From Restricted Assets</b>		
Accounts payable	3,518,978	4,068,895
Current portion of debt	62,497,010	49,212,419
Accrued interest on debt	<u>16,158,896</u>	<u>16,708,066</u>
Total liabilities payable from restricted assets	<u>82,174,884</u>	<u>69,989,380</u>
<b>Bonds Payable and Other Debt</b>	<u>890,479,397</u>	<u>926,714,872</u>
<b>Other Long-Term Liabilities</b>	<u>210,559</u>	<u>102,800</u>
Total liabilities	<u>976,163,139</u>	<u>999,724,850</u>
<b>Equity</b>		
Grants and contributions	<u>180,377,533</u>	<u>189,032,729</u>
Retained earnings		
Reserved	12,486,077	9,947,409
Unreserved	<u>222,718,800</u>	<u>179,320,709</u>
	<u>235,204,877</u>	<u>189,268,118</u>
Total equity	<u>415,582,410</u>	<u>378,300,847</u>
 Total liabilities and equity	 <u>\$ 1,391,745,549</u>	 <u>\$ 1,378,025,697</u>

# Indianapolis Airport Authority

## Statements of Revenues, Expenses and Changes in Retained Earnings

### Years Ended December 31, 2001 and 2000

	2001	2000 (Restated- Note1)
<b>Operating Revenues</b>		
Airfield	\$ 17,168,364	\$ 14,931,279
Terminal complex	24,490,418	23,347,368
Parking	22,230,909	22,652,691
Rented buildings and other	55,245,957	62,506,230
Reliever airports	<u>1,590,709</u>	<u>1,421,850</u>
Total operating revenues	<u>120,726,357</u>	<u>124,859,418</u>
<b>Operating Expenses</b> (includes depreciation of \$52,191,501 and \$51,650,844)		
Airfield	15,146,905	15,236,477
Terminal complex	11,193,612	10,058,735
Parking	5,757,251	5,519,136
Rented buildings and other	32,324,957	33,029,154
Reliever airports	2,168,632	2,158,476
Public safety	8,336,135	4,105,525
Administration	<u>9,183,672</u>	<u>9,711,552</u>
Total operating expenses	<u>84,111,164</u>	<u>79,819,055</u>
<b>Income From Operations</b>	<u>36,615,193</u>	<u>45,040,363</u>
<b>Nonoperating Revenues (Expenses)</b>		
State and local appropriations	30,056,545	29,413,316
Passenger facility charges	13,909,327	10,889,937
Grant revenue, net	16,600,567	10,972,405
Investment income	5,262,661	8,097,725
Interest expense, net of \$745,259 and \$1,822,450 interest capitalized	(64,586,555)	(66,349,213)
Loss on disposals of property and equipment and other	<u>(576,176)</u>	<u>(824,787)</u>
	<u>666,369</u>	<u>(7,800,617)</u>
<b>Net Income</b>	37,281,562	37,239,746
Depreciation on property and equipment acquired under federal and state grants externally restricted for capital acquisitions and construction which reduces grant equity	<u>8,655,197</u>	<u>7,873,033</u>
<b>Increase in Retained Earnings</b>	<u>45,936,759</u>	<u>45,112,779</u>
<b>Retained Earnings, Beginning of Year, as Previously Reported</b>	189,268,118	132,374,773
<b>Cumulative Effect of Change in Accounting Principle</b>	<u>—</u>	<u>11,780,566</u>
<b>Retained Earnings, Beginning of Year, as Restated</b>	<u>189,268,118</u>	<u>144,155,339</u>
<b>Retained Earnings, End of Year</b>	<u>\$ 235,204,877</u>	<u>\$ 189,268,118</u>

# Indianapolis Airport Authority

## Statements of Cash Flows

### Years Ended December 31, 2001 and 2000

	2001	2000 (Restated- Note 1)
<b>Cash Flows From Operating Activities</b>		
Income from operations	\$ 36,615,193	\$ 45,040,363
Items not requiring (providing) cash		
Bad debt expense	185,094	527,811
Depreciation and amortization of capital assets	52,191,501	51,650,844
Assets contributed by lessees	(4,859,986)	(13,059,173)
Change in assets and liabilities		
Accounts receivable and unbilled revenues	(9,924,279)	(6,754,203)
Supplies and materials inventories	(278,693)	(143,828)
Other current assets	(52,746)	(59,424)
Accounts payable	(262,340)	664,739
Accrued and withheld items	433,384	200,499
Other long-term liabilities	107,759	(317,931)
Net cash provided by operating activities	<u>74,154,887</u>	<u>77,749,697</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Proceeds from issuance of commercial paper	24,000,000	24,000,000
Net change in revolving line of credit	(500,000)	—
Payment of issuance costs	—	(85,236)
Principal paid on bonds and commercial paper	(38,360,000)	(49,725,000)
Interest paid on bonds	(42,996,528)	(39,644,038)
Acquisition and construction of capital assets	(47,000,029)	(46,672,859)
Proceeds from sale of property and equipment	2,956,105	14,631,827
Passenger facility charges received	13,825,480	10,456,981
Capital grants received	11,794,763	14,857,715
Net cash used in capital and related financing activities	<u>(76,280,209)</u>	<u>(72,180,610)</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of investment securities	(38,879,179)	(77,306,063)
Proceeds from sales and maturities of investment securities	70,656,000	106,535,000
Interest received on investments and cash equivalents	4,037,460	3,779,668
Net cash provided by investing activities	<u>35,814,281</u>	<u>33,008,605</u>
<b>Net Increase in Cash and Cash Equivalents</b>	33,688,959	38,577,692
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>95,752,526</u>	<u>57,174,834</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 129,441,485</u>	<u>\$ 95,752,526</u>
<b>Noncash Capital and Related Financing Activities</b>		
Capital assets included in accounts payable		
End of year	\$ 2,251,434	\$ 2,026,548
Beginning of year	2,026,548	3,642,274
Appropriations remitted directly to state and local agencies	30,056,545	29,413,316
<b>Noncash Investing Activities</b>		
Unrealized gain on investments	\$ (39,132)	\$ (643,008)

# **Indianapolis Airport Authority**

## **Notes to Financial Statements**

**December 31, 2001 and 2000**

### **Note 1: Nature of Organization and Summary of Significant Accounting Policies**

The Indianapolis Airport Authority (Authority) is a municipal corporation established January 1, 1962, under authority granted by Indiana statute (1961 Acts, Chapter 283, I.C. 1979 19-6-2, superceded by I.C. 8-22-3). The Authority was established for the general purpose of acquiring, maintaining, operating and financing airports and landing fields in and bordering on Marion County, Indiana. In connection therewith, the Authority is authorized, among other things, to issue general obligation revenue bonds and to levy taxes in accordance with the provisions of the statute. The Authority administers an airport system comprised of the Indianapolis International Airport, three general aviation reliever airports, one general aviation airport, and one general aviation reliever heliport. The Authority has no stockholders or equity holders and all revenue and other receipts must be disbursed in accordance with such statute.

The Authority's Board consists of seven members, five of which are appointed by the Mayor of the Consolidated City of Indianapolis-Marion County (a unified form of government commonly referred to as Unigov), one by the Marion County Board of Commissioners and one by the Hendricks County Board of Commissioners. Each member is appointed to a four-year term. Also, the Board presently has provision for two non-voting, advisory board members. One advisory member serves on the Authority's Board at the present time.

#### ***Management Contract***

On October 1, 1995, the Authority entered into a ten-year Agreement for the Operation and Maintenance of the Indianapolis International Airport Facilities (BAA Management Contract) with BAA Indianapolis LLC and BAA USA Holdings, Inc. (collectively, BAA), both of which are subsidiaries of BAA plc, a United Kingdom public corporation. The BAA Management Contract contains an option to renew for one additional ten-year period and is for management services only. It does not transfer ownership of airport facilities to BAA. Rather, it grants BAA all necessary rights and powers to operate, maintain and manage the above mentioned airport system. The scope of BAA's services includes terminal, airfield and administrative management. BAA may also provide planning services for an additional fee. On December 18, 1998, the Authority and BAA approved an amendment to the BAA Management Contract. Among other matters, the amendment extended the life of the BAA Management Contract to December 31, 2008.

In accordance with the BAA Management Contract, BAA is required to collect all revenues on behalf of the Authority, deposit all revenues into the Authority's accounts and pay all of the Authority's operating expenses. However, BAA may not obligate the Authority for expenditures beyond budgetary limits adopted by the Authority's Board. While BAA serves as the Authority's administrative agent, all billings of the Authority and all remittances due the Authority are in the name of and made payable to the Authority. All revenues collected are directly deposited into the Airport System Fund, which is maintained by the Authority in the Authority's official depository bank. Withdrawals or transfers from the Airport System Fund can only be made by the Authority.



# Indianapolis Airport Authority

## Notes to Financial Statements

December 31, 2001 and 2000

The Authority is responsible for making all its debt service payments and for approving and making payments on all capital improvement projects. Additionally, the Authority retains various other powers and responsibilities, including:

- a. compliance with airline use agreements;
- b. Federal Aviation Administration (FAA)/Airport Improvement Program (AIP) grant assurances compliance;
- c. passenger and cargo air service development policy formulation and implementation;
- d. issuance of debt in the Authority's name (or which would encumber the Authority's assets);
- e. aviation rates and charges regulation;
- f. long-range planning;
- g. land acquisition and development policy formulation and implementation planning;
- h. airport industrial and economic development policy formulation and implementation planning;
- i. wetlands and environmental policy;
- j. capital expenditure policy;
- k. all other statutory powers not delegated to BAA, including compliance with bond ordinance and loan covenants.

BAA receives no fixed compensation under the BAA Management Contract, but does receive monthly advances from the Authority for all operating expenses to be paid on the Authority's behalf, as well as reimbursements for certain capital expenditures and rent-free office space. From these advances, BAA pays expenses for the operation and maintenance of the Airport System. Each month, BAA provides the Authority with an itemized statement of operating expenses incurred. Accordingly, these financial statements reflect the Authority's operating expenses as if they had been paid directly by the Authority.

BAA's compensation is determined by an annual comparison of net airline cost per enplaned passenger to a baseline cost as defined in the BAA Management Contract. Any improvements over the baseline are shared by the Authority and BAA, with BAA's share serving as compensation. The amendment to the BAA Management Contract adjusted certain items affecting the compensation calculation, including the omission of parking revenue as a factor in net airline cost. The sharing proportions during the 13-year term of the BAA Management Contract are as follows:

	<b>Authority</b>	<b>BAA</b>
Year 1	60.0%	40.0%
Year 2	65.0%	35.0%
Year 3-13	67.5%	32.5%

In accordance with the BAA Management Contract, the first compensation period (Year 1) covered the period October 1, 1995, through December 31, 1996. The baseline is subject to adjustments each year for inflation and such other adjustments as mutually agreed upon by the Authority and BAA. Additionally, BAA may receive a 5% bonus annually over a mutually determined service quality target.

# **Indianapolis Airport Authority**

## **Notes to Financial Statements**

**December 31, 2001 and 2000**

BAA must realize a guaranteed improvement in each year or it receives no compensation and must then pay the Authority the amount of any shortfall. The guarantee is calculated by a formula within the BAA Management Contract and is currently estimated to be \$29,633,000, over the life of the BAA Management Contract, expressed in 2001 dollars. BAA has negotiated a standby letter of credit for \$50,000,000 as a contingent funding source for the guarantee.

The receivable from BAA at December 31, 2001 of \$861,538 represents advances to BAA for the operations and maintenance of the airport. The January 2001 advance to BAA was not required (or paid) until January 1, 2001, therefore no receivable from BAA was recorded at December 31, 2000. The payable to BAA of \$275,728 and \$284,007 at December 31, 2001 and 2000 represents amounts due for compensation and/or operations and maintenance charges.

### ***Financial Reporting Entity***

The definition of the reporting entity under Governmental Accounting Standards Board (GASB) Statement No. 14 is based primarily on the concept of financial accountability. Although the Mayor appoints a voting majority of the Authority's governing body, neither of the other two tests of financial accountability are met. Unigov is unable to impose its will on the Authority. Also, the Authority does not impose a financial burden or provide a financial benefit to Unigov.

The following criteria were considered:

I. Imposition of will criteria

A. Remove appointed members of Authority Board at will

The appointed members of the Authority Board cannot be removed by the Mayor without cause, and removal must be through an impeachment procedure.

B. Modify or approve the Authority's budget

The Authority Board is responsible for reviewing, approving, and modifying its budget. The City-County Council (the governing body for Unigov) holds public budget hearings, and may review and modify the budget. Since a tax levy is not currently required to finance the budget of the Authority, the Council's review is considered a routine administrative approval.

C. Modify or approve changes in fees and charges

The Authority establishes all fees and charges and negotiates contracts with commercial enterprises.

D. Veto, overrule, or modify decisions of the Authority Board

Decisions of the Board are not subject to change by Unigov.

E. Appoint, hire, reassign, or dismiss management of the Authority

Unigov has no control over the employment of Authority personnel.

# Indianapolis Airport Authority

## Notes to Financial Statements

December 31, 2001 and 2000

### II. Financial benefit/burden criteria

#### A. Legally entitled to or can otherwise access the Authority's resources

The Authority's resources cannot be accessed by Unigov. Legislation was enacted in 1992 which authorized the City-County Council to impose a payment in lieu of taxes (PILOT) from various municipal corporations, including the Authority, to recover the cost of providing governmental services to public entities that operate as private enterprises and are exempt from property taxes. However, under the Airport and Airway Improvement Act of 1982, as amended, PILOTs may not be imposed without the risk of loss of all federal funding, unless there exists adequate documentation of services actually provided. Purchases of services are considered exchange transactions which are not manifestations of a financial benefit relationship.

#### B. Legally obligated to finance the deficits of, or provide financial support to, the Authority

The Authority is solely responsible for financing its deficits. The Authority may levy taxes on property within Marion County. It does not currently, and has no future plans to, levy such taxes.

#### C. Obligated in some manner for the debt of the Authority

The Authority is empowered to issue revenue bonds payable solely from revenue derived from the operation of the airport system and Special Facility Revenue Bonds payable exclusively from lease-rental payments. The Authority is also empowered to issue general obligation bonds. These bonds are not general obligations of Unigov, and neither the faith and credit nor the taxing power of Unigov is pledged to their payment.

Careful review of these criteria, therefore, has resulted in the conclusion that the Authority is a separate reporting entity.

### ***Basis of Accounting and Financial Reporting***

The financial statements consist of a single enterprise fund which is reported on the accrual basis and capital maintenance measurement focus.

The Authority prepares its financial statements in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected to apply all applicable GASB pronouncements. In addition, the Authority follows all Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

# Indianapolis Airport Authority

## Notes to Financial Statements

December 31, 2001 and 2000

### ***Change in Accounting Principle***

The Authority adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, during 2001 by retroactively restating prior years' financial statements. This Statement establishes accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. Among other things, this Statement requires the Authority to recognize government grants and contributions of assets from lessees and others as revenue when all applicable eligibility requirements (as defined in GASB Statement No. 33) are met. Previously these amounts were recorded as additions to contributed capital. The statement of revenues, expenses and changes in retained earnings for the year ended December 31, 2000, was restated to reflect these changes, as well as to recognize contributions of certain lessee-financed improvements. Accordingly, operating revenues were increased by \$13,059,173 and nonoperating revenues were increased by \$11,008,044. The adoption of GASB Statement No. 33 also resulted in the elimination of deferred income from lessee-financed improvements on the balance sheet and a cumulative effect adjustment of \$11,780,566 to retained earnings at January 1, 2000. Operating revenues for 2000 were decreased by \$830,894 to eliminate amortization of deferred income on lessee-financed improvements. For the balance sheet, these adjustments resulted in a decrease in contributed capital ("grants and contributions" in the balance sheet) of \$11,049,599, an increase in property and equipment of \$13,059,173, and an increase in retained earnings of \$34,989,993 for the year 2000.

### ***Cash Equivalents***

For purposes of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

### ***Investment Securities***

Investment securities are stated at fair value.

### ***Unbilled Revenues***

The Authority accrues revenue for rentals earned but not yet billed as of year end. Debt service rentals related to certain conduit debt transactions of the Authority have been accrued by discounting future lump-sum payments to be received by the Authority at rates approximating current market conditions.

### ***Inventories***

Inventories of supplies and materials are valued at average cost. The Authority has relinquished management control over its inventories to BAA. However, the Authority retains ownership of the inventories.

# Indianapolis Airport Authority

## Notes to Financial Statements

### December 31, 2001 and 2000

#### ***Lessee Financed Improvements***

Certain leases include provisions whereby lessee financed improvements become the property of the Authority. Prior to January 1, 1987, the costs of these improvements were capitalized and recorded as advance rentals (deferred income) and recognized on a straight-line basis over the lease term. Effective January 1, 1987, the Authority began recording lessee financed improvements only upon leasehold reversion or lease termination, at which time the improvement was capitalized at fair value and recorded as contributed capital. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the Authority now recognizes lessee financed improvements at cost or estimated cost upon completion of construction, or upon the asset being placed in service, whichever occurs first. Such voluntary nonexchange transactions are reflected as operating revenue in the Authority's statement of revenues, expenses, and changes in retained earnings. Lessee-financed improvements placed in service between 1987 and 1999 will continue to be recognized only upon leasehold reversion or lease termination.

#### ***Property and Equipment***

Property and equipment purchased by the Authority are stated at historical cost. Depreciation of property and equipment is computed under the straight-line method at various rates considered adequate to allocate the costs over the estimated useful lives of such assets. Depreciation recognized on property and equipment acquired or constructed from grant revenue restricted for capital acquisitions is charged against contributed capital. This charge is effected by transferring the applicable depreciation from retained earnings and has no effect on net income. The estimated lives by general classification are as follows:

	<u>Years</u>
Buildings, including parking garage	20 to 40
Sewers	25
Runways, taxiways and aprons	15 to 25
Roads, ramps, parking areas, runway and apron lighting, etc.	15
Heavy equipment, furniture and fixtures and fencing	10
Vehicles, office equipment and other	3 to 5

In accordance with Financial Accounting Standards Board (FASB) Statement No. 62, interest incurred during construction periods is capitalized and included in the cost of property and equipment. Maintenance and repairs are expensed as incurred. Runways, taxiways, parking areas, sewers and other similar assets are written off when fully depreciated unless clearly identified as still being in use. Environmental mitigation costs related to maintaining wetlands and habitats are generally charged to expense as incurred. These costs consist primarily of consulting fees and amounted to \$13,704 and \$153,644 in 2001 and 2000, respectively. Gains or losses on disposition of property and equipment are credited or charged accordingly to nonoperating revenues and expenses.

# **Indianapolis Airport Authority**

## **Notes to Financial Statements**

**December 31, 2001 and 2000**

### ***Issue Costs***

Bond issue costs are deferred and amortized over the life of the respective bond issue using the interest method. Commercial paper issuance costs are being amortized on a straight-line basis over five years, which is equal to the term of the letter of credit that secures the debt issuance.

### ***Original Issue Discount***

Original issue discount on bonds is amortized using the interest method over the life of the bonds to which it relates.

### ***Employee Health Benefits***

Upon commencement of the BAA Management Contract, the Authority's health plans were effectively terminated and all claims incurred by Authority employees prior to September 30, 1995, were submitted to these plans for settlement. The employees of BAA can elect to be covered under a self-insured plan or a plan provided by a Health Maintenance Organization. The costs associated with these plans are paid by the Authority in accordance with the BAA Management Contract.

### ***Compensated Absences***

Through September 30, 1995, all Authority employees received compensation for vacations, holidays, illness and certain other qualifying absences. Former Authority personnel and all others hired by BAA continue to accrue benefits for compensated absences under similar policies. All payments for compensated absences are paid to BAA by the Authority as stipulated in the BAA Management Contract.

Accumulated unused sick leave benefits for BAA employees are nonvesting until retirement. At retirement, any accumulated sick leave in excess of 160 hours (224 hours for fire department personnel) is to be paid to the employee at a rate of one hour for every two excess hours. The maximum number of sick leave hours that can be paid to any Authority or BAA employee is 96.

In accordance with the "vesting method" provided under GASB Statement No. 16, *Accounting for Compensated Absences*, accumulated unused sick leave pay has been accrued based on assumptions concerning the probability that certain BAA employees will become eligible to receive these benefits in the future.

### ***Capital Grant Funds***

Certain expenditures for airport capital improvements receive significant federal funding through the Airport Improvement Program of the Federal Aviation Administration (FAA). Funds are also received for airport development from the State of Indiana. Capital funding provided under government grants is considered earned as the related approved expenditures are incurred. Expenditures are subject to audit and acceptance by the granting agency.

# **Indianapolis Airport Authority**

## **Notes to Financial Statements**

**December 31, 2001 and 2000**

### ***Passenger Facility Charges***

Generally, the FAA grants the Authority approval to impose and use a passenger facility charge (PFC) of between \$3.00 and \$4.50 per enplaned passenger on flights originating from Indianapolis. PFCs are restricted for use in the acquisition of real estate and the construction of certain airport improvements. PFCs, which are recognized as earned, are included in nonoperating revenue and amounted to \$13,909,327 and \$10,889,937 for 2001 and 2000.

Effective January 17, 2001, the FAA approved the Authority's amended use approval to \$89,838,803. This amendment also increases the Authority's collection level from \$3 to \$4.50 per enplaned passenger, effective April 1, 2001, for construction of certain airport improvements. The Authority's Record of Decision was further amended on March 28, 2001, to allow the Authority to impose and collect up to \$533,861,510 in PFC's beginning April 1, 2002, and to use up to \$89,991,510. Approval for further use of PFC's is pending with the FAA.

### ***Rental Income***

All leases wherein the Authority is the lessor are accounted for as operating leases. Rental income is generally recognized as it becomes receivable over the respective lease terms. The Authority has some leases which provide for waived rent during the initial period of the lease term and/or rental escalations throughout the lease term. In accordance with GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, the related rental income for these leases, if significant, is reported using the straight-line method rather than using the terms of the lease agreements.

### ***Budgetary Information***

The Authority is not legally required to report on the budgetary basis each year. Annual budgets are adopted and prepared on the accrual basis. Since there is no legal requirement for the Authority to report on the budgetary basis, budgetary information is not disclosed in the accompanying financial statements.

# Indianapolis Airport Authority

## Notes to Financial Statements

December 31, 2001 and 2000

### Note 2: Cash, Cash Equivalents and Investment Securities

Cash, cash equivalents and investment securities included in the balance sheet are classified as follows:

	<u>2001</u>	<u>2000</u>
Cash and cash equivalents		
Current	\$ 22,540,033	\$ 15,123,372
Restricted	<u>106,901,452</u>	<u>80,629,154</u>
	129,441,485	95,752,526
Investment securities		
Restricted	<u>8,449,010</u>	<u>39,857,251</u>
	<u>\$ 137,890,495</u>	<u>\$ 135,609,777</u>

Indiana statutes authorize the Authority to invest in United States obligations and issues of federal agencies, secured repurchase agreements, certificates of deposit, money market deposit accounts, passbook savings accounts and negotiable order of withdrawal (NOW) accounts. The Authority has investments (e.g., commercial paper) and deposits held in trust in connection with special Facility debt obligations. These investments and deposits are not public funds and are therefore not governed by these statutes. However, these investments must comply with the requirements of the trust indentures for each respective debt obligation.

The carrying amount of deposits and investment securities by type of investment are:

	<u>2001</u>	<u>2000</u>
Cash deposits and cash on hand	\$ <u>38,799</u>	\$ <u>38,829</u>
Repurchase agreements	13,156,749	19,432,580
U. S. Government and Government Agency obligations	26,275,899	37,555,866
Commercial paper and other	<u>98,419,048</u>	<u>78,582,502</u>
Total investment securities	<u>137,851,696</u>	<u>135,570,948</u>
	<u>\$ 137,890,495</u>	<u>\$ 135,609,777</u>

The Authority's cash deposits are insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC). Any cash deposits in excess of the \$100,000 FDIC limits are insured by the Indiana Public Deposits Insurance Fund. The Indiana Public Deposits Insurance Fund is a multiple financial institution collateral pool as provided under Indiana Code, Section 5-13-12-1. This Fund conforms with the requirements of GASB Statement No. 3, paragraph 11, which describes criteria for determining whether deposits are fully insured.



# Indianapolis Airport Authority

## Notes to Financial Statements

December 31, 2001 and 2000

The Authority's investments are categorized to give an indication of the level of risk assumed. Category 1 includes investments that are insured or registered, or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the Authority's name.

	2001			
	Category			Carrying
	1	2	3	Value
Repurchase agreements, secured by U. S. Government and Government Agency obligations	\$ —	\$ —	\$ 13,156,749	\$ 13,156,749
U. S. Government and Government Agency obligations	<u>—</u>	<u>—</u>	<u>26,725,899</u>	<u>26,275,899</u>
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 39,462,648</u>	39,462,648
Open-end mutual funds				<u>98,419,048</u>
Total investment securities				<u>\$ 137,851,696</u>

	2000			
	Category			Carrying
	1	2	3	Value
Repurchase agreements, secured by U. S. Government and Government Agency obligations	\$ —	\$ —	\$ 19,432,580	\$ 19,432,580
U. S. Government and Government Agency obligations	—	—	37,555,866	37,555,866
Commercial paper	<u>—</u>	<u>—</u>	<u>44,869,629</u>	<u>44,869,629</u>
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 33,857,866</u>	101,858,075
Open-end mutual funds				<u>33,712,873</u>
Total investment securities				<u>\$ 135,570,948</u>

# Indianapolis Airport Authority

## Notes to Financial Statements

December 31, 2001 and 2000

### Note 3: Restricted Assets

#### *Cash, Cash Equivalents and Investment Securities*

Cash, cash equivalents and investment securities are restricted as follows:

	2001	2000
Revenue Bond Interest and Principal Fund	\$ 11,807,659	\$ 11,541,026
Revenue Bond Reserve Fund	25,263,837	25,559,481
Operation and Maintenance Reserve Fund	9,683,691	8,745,504
Renewal and Replacement Fund	2,825,320	1,080,657
Capital Improvement Fund	25,704,962	28,372,321
Passenger Facility Charge Fund	310,073	7,421
Construction Fund - Commercial Paper Issuance	253,332	244,053
Construction Fund - United Special Facility Revenue Bonds	39,478,590	44,914,050
Construction Fund - FedEx Special Facility Revenue Bonds	4,358	21,854
Bond Fund - Refunding FedEx Special Facility Bonds	<u>18,640</u>	<u>38</u>
	<u>\$ 115,350,462</u>	<u>\$ 120,486,405</u>

The Bond Ordinance adopted on November 4, 1985 in conjunction with the issuance of the Revenue Bonds of 1985 and certain supplemental ordinances adopted thereafter (collectively, the Master Ordinance) provide, among other things, that certain accounting procedures be followed and certain funds be established. Brief descriptions of these funds follow.

Assets included in the Bond Funds, the Bond Interest and Principal Funds and the Bond Reserve Funds are used for the payment of bond principal, interest and redemption premiums, as well as any amounts due under Qualified Derivative Agreements (as defined under the Ordinance) entered into with regard to any of the Authority's Revenue Bonds. The Subordinate Securities Interest and Principal Fund and Subordinate Securities Reserve Fund are used to pay principal, interest, and redemption premiums on any securities secured in whole or in part by liens on the Net Revenues of the Authority that are junior and subordinate to the lien on Net Revenues securing payment of the Revenue Bonds and to pay amounts due under certain derivative agreements. The Operation and Maintenance Reserve Fund must be maintained at a balance at least equal to one-third of the Authority's current operating budget as a reserve for payment of operation and maintenance expenses. Assets of the Renewal and Replacement Fund are used to pay extraordinary costs of replacing depreciable property and equipment and/or making extraordinary repairs, replacements, or renovations to the airport system. The Capital Improvement Fund can be used for any lawful airport system purpose, including payment for capital improvements and land acquisition. The Construction Funds are used to pay the project costs for each respective debt issuance. Arbitrage Rebate Funds accumulate monies sufficient to provide for the payment of amounts owed to the United States of America pursuant to Section 148 of the Internal Revenue Code.

# Indianapolis Airport Authority

## Notes to Financial Statements

December 31, 2001 and 2000

Deposits into the Airport System Fund are disbursed in accordance with the Authority's annual budget to provide for current operation and maintenance expenses. Such deposits are also used to replenish balances in other funds to their required levels under the Ordinance.

Funds not used for these purposes are transferred into a Prepaid Airline Revenue Fund and used as a credit against the rentals and fees to be paid by signatory airlines in subsequent years. Balances included in the Airport System Fund and Prepaid Airline Revenue Fund are classified in current assets in the accompanying balance sheet.

The Authority's Passenger Facility Charge Fund provides for the segregation of PFC receipts, as required by the FAA. Such revenues are to be expended only for allowable capital projects, or to repay debt issued for allowable capital projects, under a Record of Decision granted by the FAA.

### ***Grants Receivable/Payable***

Grants receivable from government agencies represent federal and state participation in costs incurred on certain airport construction projects. From time to time, the Authority disposes of land or other assets which were originally purchased with federal assistance. In accordance with the Airport Improvement Program (AIP), the Authority must reinvest the federal government's proportionate share of the proceeds realized from the sale or exchange of such assets in approved AIP projects or return such amounts to the federal government. The Authority records a payable to the FAA in these instances.

	<u>2001</u>	<u>2000</u>
Receivable		
State of Indiana	\$ 230,586	\$ 96,794
Federal Aviation Administration	<u>4,920,656</u>	<u>164,003</u>
	<u>\$ 5,151,242</u>	<u>\$ 260,797</u>

The maximum amount of federal and state participation available for eligible continuing projects during 2001 totaled approximately \$40,580,000. At December 31, 2001, a cumulative total of approximately \$28,580,000 has been claimed against these grant commitments.

# Indianapolis Airport Authority

## Notes to Financial Statements

December 31, 2001 and 2000

### Note 4: Property and Equipment

Property and equipment consists of:

	2001	2000
Land and land improvements	\$ 243,470,895	\$ 232,126,759
Buildings	919,584,827	910,187,468
Runways and other airport infrastructure	365,103,474	351,849,362
Equipment, furniture and fixtures, and other	<u>91,960,221</u>	<u>82,098,943</u>
	1,620,119,417	1,576,262,532
Accumulated depreciation	<u>(468,788,621)</u>	<u>(417,544,300)</u>
	1,151,330,796	1,158,718,232
Construction in progress	<u>13,767,764</u>	<u>9,415,863</u>
	<u>\$ 1,165,098,560</u>	<u>\$ 1,168,134,095</u>

### Note 5: Benefit Plan

BAA maintains a 401(k) defined-contribution plan administered by Met Life for the benefit of substantially all of its employees which allows for both employee and employer contributions. Employer contributions are eight percent of eligible compensation. In accordance with the BAA Management Contract, these expenses are paid by the Authority. Contributions to the plan were approximately \$817,000 for 2001 and \$743,000 for 2000.

### Note 6: Bank Credit Facilities and Interest Rate Swap Agreement

The Authority is a party to certain bank credit facilities.

The first credit facility is a term loan credit facility for \$10,150,000, expiring on December 31, 2002. At December 31, 2001 and 2000, \$9,200,000 and \$9,700,000 was borrowed and outstanding under this facility.

The second credit facility is a term loan credit facility with a group of four banks for \$10,000,000, due to expire on June 30, 2001. During 2000, this credit facility was cancelled upon payment of the total outstanding balance of \$10,000,000.

These credit facilities were obtained as part of an economic incentive program to retain American Trans Air Inc.'s corporate headquarters and maintenance operations in Indianapolis. At December 31, 2001, the variable interest rate in effect on the remaining credit facility was 2.42%. The remaining credit facility is payable from and secured by a lien on Net Revenues of the airport system. This lien is junior and subordinate to the lien of the Authority's revenue bonds.

# Indianapolis Airport Authority

## Notes to Financial Statements

December 31, 2001 and 2000

The cancelled credit facility was subject to an interest rate swap agreement which fixed the interest rate at 6.23%. This interest rate swap agreement was terminated in 2000 upon payment in full of the credit facility. The Authority received \$20,000 as a swap termination fee.

### Note 7: Bonds Payable and Other Debt

Bonds and other debt include Special Facility Revenue Bonds. Special Facility Revenue Bonds are obligations of the Authority payable from and secured by a pledge of lease-rental payments to be received by the Authority from the issuers of these bonds and are not payable from any other funds of the Authority. Since the related assets are constructed on property owned by the Authority, there will not be a transfer of ownership of the property to the related lessees.

Bonds and other debt outstanding consist of:

	2001	2000
Special Facility Refunding Revenue Bonds, Series 1998 (FedEx Corporation)		
Term bonds, maturing in aggregate, May 1, 2029. Interest at 5.50%, due semiannually on May 1 and November 1	\$ 23,425,000	\$ 23,425,000
Deferred loss on refunding	(1,201,035)	(1,244,975)
Unamortized discount	<u>(377,767)</u>	<u>(391,588)</u>
	<u>21,846,198</u>	<u>21,788,437</u>
Special Facility Revenue Bonds, Series 1995A (United Air Lines, Inc.)		
Term bonds, maturing in aggregate, November 15, 2031. Interest at 6.50%, due semiannually on May 15 and November 15	220,705,000	220,705,000
Unamortized discount	<u>(7,845,407)</u>	<u>(7,923,934)</u>
	<u>212,859,593</u>	<u>212,781,066</u>
Special Facility Revenue Bonds, Series 1994 (FedEx Corporation)		
Term bonds, maturing in aggregate, January 15, 2017. Interest at 7.10%, due semiannually on January 15 and July 15	237,755,000	237,755,000
Unamortized discount	<u>(1,718,174)</u>	<u>(1,779,918)</u>
	<u>236,036,826</u>	<u>235,975,082</u>
Total special facility revenue bonds	<u>470,742,617</u>	<u>470,544,585</u>

**Indianapolis Airport Authority**  
**Notes to Financial Statements**  
**December 31, 2001 and 2000**

(continued)	<u>2001</u>	<u>2000</u>
Refunding Revenue Bonds, Series 1998A		
Serial bonds, maturing July 1, 2002 to July 1, 2005 in payments from \$13,120,000 in 2002 to \$15,285,000 in 2005. Interest at 5.00% to 5.25%, due semiannually on January and July 1	\$ 56,755,000	\$ 67,545,000
Deferred loss on refunding	(3,816,719)	(6,015,857)
Unamortized Premium	<u>595,680</u>	<u>899,102</u>
	<u>53,533,961</u>	<u>62,428,245</u>
Refunding Revenue Bonds, Series 1996A		
Serial bonds, maturing July 1, 2002 to July 1, 2009. Interest at 5.00% to 6.00%, due semiannually on January 1 and July 1	25,670,000	28,200,000
Term bonds, maturing July 1, 2015. Interest at 5.60%, due semiannually on January 1 and July 1	<u>27,865,000</u>	<u>27,865,000</u>
	53,535,000	56,065,000
Deferred loss on refunding	(5,229,319)	(5,821,207)
Unamortized discount	<u>(472,805)</u>	<u>(526,321)</u>
	<u>47,832,876</u>	<u>49,717,472</u>
Revenue Bonds of 1993		
Serial bonds, maturing January 1, 2002 to January 1, 2006. Interest at 5.20% to 5.60%, due semiannually on January 1 and July 1	6,095,000	7,135,000
Term bonds, maturing January 1, 2008 to January 1, 2023. Interest at 5.75% to 6.00%, due semiannually on January 1 and July 1	<u>39,850,000</u>	<u>39,850,000</u>
	45,945,000	46,985,000
Unamortized discount	<u>(483,864)</u>	<u>(506,246)</u>
	<u>45,461,136</u>	<u>46,478,754</u>
Total revenue bonds	<u>146,827,973</u>	<u>158,624,471</u>
Other Debt		
Obligations under capital lease	302,205,817	313,058,235
Commercial paper	24,000,000	24,000,000
Credit facilities	<u>9,200,000</u>	<u>9,700,000</u>
	<u>335,405,817</u>	<u>346,758,235</u>
Total bonds payable and other debt	952,976,407	975,927,291
Current portion	<u>(62,497,010)</u>	<u>(49,212,419)</u>
	<u>\$ 890,479,397</u>	<u>\$ 926,714,872</u>

# **Indianapolis Airport Authority**

## **Notes to Financial Statements**

**December 31, 2001 and 2000**

### ***Special Facility Bonds***

The Special Facility Revenue Bonds, Series 1994, 1995A and 1998 (collectively, the Special Facility Revenue Bonds) are subject to optional redemption by the Authority upon the written request of the issuer at various dates beginning in July 2004 at amounts up to 102% of the principal amount and declining to par at various dates beginning in July 2006.

The Series 1994 Special Facility Revenue Bonds maturing on January 15, 2017 (the 2017 Term Bonds), are subject to redemption from mandatory sinking fund payments generally upon the transfer of excess monies remaining after completion of the Special Facilities, upon the termination of the lease agreement, or upon the occurrence of an event which would affect the exclusion from gross income of the interest on the Series 1994 Special Facility Revenue Bonds.

The Series 1995 Special Facility Revenue Bonds maturing on November 15, 2031 (the 2031 Term Bonds) are subject to redemption from mandatory sinking fund payments only upon the occurrence of an event which would affect the exclusion from gross income of the interest on the Series 1995 Special Facility Revenue Bonds.

The Series 1998 Special Facility Refunding Revenue Bonds maturing on May 1, 2029 (the 2029 Term Bonds) are subject to redemption from mandatory redemption upon the occurrence of an event which would affect the exclusion from gross income of the interest of the Series 1998 Special Facility Refunding Revenue Bonds.

### ***Revenue Bonds and Commercial Paper***

The Revenue Bonds, Series 1993, 1996A and 1998A (collectively, the Revenue Bonds) are subject to optional redemption by the Authority at various dates beginning in January 2003 at amounts up to 102% of the principal amount and declining to par at various dates beginning in January 2005.

The 1996 Refunding Revenue Bonds, maturing on July 1, 2015 (the 2015 Term Bonds) are subject to redemption from mandatory sinking fund payments during the periods 2010 to 2015.

The 1993 Revenue Bonds maturing on January 1, 2008 (the 2008 Term Bonds), January 1, 2013 (the 2013 Term Bonds) and January 1, 2023 (the 2023 Term Bonds) are subject to redemption from mandatory sinking fund payments during the periods 2007 to 2008, 2009 to 2013 and 2014 to 2023, respectively.

In accordance with the Master Ordinance, the Revenue Bonds are payable from and secured by a lien on the Net Revenues of the airport system. Rates and fees charged by the Authority for the use of its facilities must be sufficient to provide annual Net Revenues to equal the larger of: (a) all amounts required to be deposited to the credit of the Revenue Bond Interest and Principal Fund, the Revenue Bond Reserve Fund, the General Obligation Bond Interest and Principal Fund, the General Obligation Bond Reserve Fund, the Operation and Maintenance Reserve Fund and the Renewal and Replacement Fund; or (b) an amount not less than 125% of the Debt Service Requirement for any Revenue Bonds, plus 110% of the Debt Service Requirement for any Subordinate Securities, plus 100% of the Debt Service Requirement for any General Obligation Bonds.

# Indianapolis Airport Authority

## Notes to Financial Statements

December 31, 2001 and 2000

During 1999, the Authority authorized the issuance of up to \$75,000,000 in Commercial Paper, the proceeds of which are to be used as an interim financing source for various capital projects included in the Authority's Capital Improvement Program. The Commercial Paper is a short-term promissory note that is sold in tranches with maturities ranging from 1 to 270 days. At maturity, interest is paid to the investor and the Commercial Paper is resold. To mitigate the risk of an unsuccessful remarketing, the Commercial Paper is backed by a letter of credit in the amount of \$78,260,274. The Commercial Paper is payable from and secured by a lien on Net Revenues of the airport system. This lien is junior and subordinate to the lien of the Revenue Bonds, and therefore, the Commercial Paper is considered to be a Subordinate Security as defined in the Master Ordinance. The Authority had \$24,000,000 in commercial paper outstanding at December 31, 2001, with an interest rate of 1.5%. At December 31, 2000, the Authority had \$24,000,000 in commercial paper outstanding with an interest rate of 4.45%

Debt service requirements to maturity for all debt of the Authority, excluding its capital lease agreements, are as follows at December 31, 2001:

Years Ending December 31	Special Facility Revenue Bonds		Revenue Bonds		Commercial Paper and Credit Facility Agreements	Total
	Principal	Interest	Principal	Interest	Principal	
2002	\$ —	\$ 32,514,805	\$ 16,880,000	\$ 8,483,535	\$ 33,200,000	\$ 91,078,340
2003	—	32,514,805	17,760,000	7,635,207	—	57,910,012
2004	—	32,514,805	18,685,000	6,700,032	—	57,899,837
2005	—	32,514,805	19,650,000	5,758,527	—	57,923,332
2006	—	32,514,805	4,615,000	4,743,889	—	41,873,694
Thereafter	481,885,000	564,880,416	78,645,000	35,090,280	—	1,160,500,696

### Note 8: Obligations Under Capital Lease

In November 1991, the Authority entered into an agreement (the MOC-II Agreement) with the State of Indiana, the City of Indianapolis, and United to provide a 300-acre site for United's Indianapolis Maintenance Center (IMC). The IMC is currently one of the largest aircraft maintenance facilities in the world. It was originally designed to meet the maintenance requirements of United's fleet of Boeing 737 aircraft. However, in 1994, United decided to significantly expand its IMC operations by maintaining its fleets of Boeing 757 and 767 aircraft at the facility and to invest approximately \$117,000,000 in such expansion.

The State, the City and Hendricks County, Indiana provided the initial funding for the IMC. The State provided \$184,500,000 from the proceeds of tax-exempt lease revenue bonds and a \$15,200,000 grant. The City provided approximately \$111,000,000 from the proceeds of tax-exempt current interest and capital appreciation bonds. Hendricks County provided \$8,000,000, in the form of a grant, from the proceeds of an economic development income tax revenue bond issue.

In accordance with its commitments under the MOC-II Agreement, the Authority agreed to issue up to \$850 million of tax-exempt Special Facility Revenue Bonds, secured by a pledge of lease-rental payments to be received by the Authority from United. In 1995, the Authority issued Series 1995A Special Facility Bonds in the amount of \$220,705,000.



# Indianapolis Airport Authority

## Notes to Financial Statements

December 31, 2001 and 2000

United, in turn, committed to construct and equip the IMC at a cost aggregating at least \$800 million by December 31, 2001. During 2001, United informed the Authority that it would be unable to fulfill this commitment. Certain provisions within the MOC-II Agreement require United, in the event it does not meet this commitment, to make certain reimbursements to the City and State. In addition to the first commitment noted, United also committed to employ at least 7,500 full-time employees, with annual payroll and benefits aggregating at least a quarter billion dollars, by December 31, 2004. The MOC-II Agreement also provides that certain reimbursements to the City and the State be made by United in the event this commitment is not fulfilled.

Concurrently with the execution of the MOC-II Agreement in 1991, the Authority entered into a tenancy in common agreement and various lease agreements which created certain leasehold interests in the IMC site and facilities and provided the framework for financing the costs of its construction. Accordingly, the Authority's leases with the State and the City for the IMC and its lease with the State for a building and related equipment ancillary to IMC, the Aviation Technology Center (ATC), have been reflected as capital lease obligations in these financial statements. The leases expire at various dates between 2016 and 2018. The approximate gross amounts of property and equipment and related accumulated amortization recorded under these capital leases follow:

	<b>2001</b>	<b>2000</b>
Property and equipment	\$ 352,111,077	\$ 352,111,077
Accumulated amortization	<u>(69,574,086)</u>	<u>(59,458,795)</u>
	<u>\$ 282,536,991</u>	<u>\$ 292,652,282</u>

Amortization of assets held under capital leases is included with depreciation expense.

The present value of future minimum capital lease payments follows:

2002	\$ 31,511,411
2003	31,945,624
2004	32,274,744
2005	32,170,098
2006	31,957,642
Thereafter	<u>318,246,428</u>
Total minimum lease payments	478,105,947
Amounts representing interest	<u>(175,900,130)</u>
Present value of net minimum capital lease payments	<u>\$ 302,205,817</u>

# Indianapolis Airport Authority

## Notes to Financial Statements

December 31, 2001 and 2000

The Authority's capital lease payments to the State are payable solely from monies to be appropriated by the Indiana General Assembly, the governing body for the State. There is no requirement that these amounts be appropriated. However, the Authority cannot be held liable, should an appropriation not be made, for the State's debt obligations relative to the IMC and ATC facilities. Assuming appropriations from the General Assembly continue, the Authority expects to receive the following future amounts to fund its capital lease obligations with the State:

2002	\$ 20,883,611
2003	21,287,228
2004	21,687,645
2005	22,102,240
2006	22,088,295
Thereafter	<u>224,755,560</u>
	\$ <u>332,804,579</u>

The Authority's capital lease payments to the City are secured by an irrevocable pledge of a distributive share of Marion County Option Income Taxes (the Pledged Revenues). The City-County Council has covenanted not to repeal or rescind this tax as long as such rentals remain due. The Authority is not obligated for the debt incurred by the City with regard to the IMC facilities. Future Pledged Revenues to be received by the Authority to fund its capital lease obligation with the City follow:

2002	\$ 13,149,732
2003	13,745,355
2004	14,230,073
2005	14,228,495
2006	14,275,958
Thereafter	<u>142,100,305</u>
	\$ <u>211,729,918</u>

### Note 9: Risk Management

Effective October 1, 1995, BAA assumed the responsibility of providing self-insured health care benefits for former Authority employees and all others it has hired. BAA continues to maintain substantially the same coverage as provided previously by the Authority. The health care plan provides for annual aggregate coverage up to a maximum of \$1,000,000, as well as an individual annual limit of \$50,000. As required by the BAA Management Contract, the Authority pays BAA for all costs associated with providing health care benefits to its employees.

# Indianapolis Airport Authority

## Notes to Financial Statements

December 31, 2001 and 2000

Detail of the health insurance claims liability, based upon the requirements of GASB Statement No. 10, is provided below. This Statement requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the liability can be reasonably estimated. The liability is estimated based upon historical experience. There is no significant incremental claim adjustment expense, salvage or subrogation attributable to this liability.

	Balance Beginning of Year	Current Year Claims and Changes In Estimates	Claim Payments	Balance End of Year
2001	\$ 151,513	\$ 776,357	\$ (775,318)	\$ 152,552
2000	\$ 142,753	\$ 636,750	\$ (627,990)	\$ 151,513

Risk management is the responsibility of BAA under the BAA Management Contract with the Authority. The Authority is exposed to various risks of loss related to theft of, damage to and destruction of assets, torts, and natural disasters for which commercial insurance is carried. The commercial insurance policies carry deductibles ranging from \$0 to \$250,000. All costs for insurance are paid to BAA by the Authority.

There were no reductions in insurance coverage during 2001 and settlements have not exceeded insurance coverage for the past three years.

## Note 10: Equity

Changes in grants and contributions are summarized as follows:

	Federal Government	State and Local Governments IMC	Other	Lessees and Other	Total
<b>Balances, January 1, 2000</b>	\$ 148,617,315	\$ 25,725,616	\$ 10,070,233	\$ 12,492,599	\$ 196,905,763
<b>Deductions – 2000</b>					
Depreciation of property and equipment acquired with federal and state grants	(7,737,563)	—	(135,470)	—	(7,873,033)
<b>Balances, December 31, 2000</b>	140,879,752	25,725,616	9,934,763	12,492,599	189,032,730
<b>Deductions – 2001</b>					
Depreciation of property and equipment acquired with federal and state grants	(8,518,678)	—	(136,519)	—	(8,655,197)
<b>Balances, December 31, 2001</b>	<u>\$ 132,361,074</u>	<u>\$ 25,725,616</u>	<u>\$ 9,798,244</u>	<u>\$ 12,492,599</u>	<u>\$ 180,377,533</u>

# Indianapolis Airport Authority

## Notes to Financial Statements

December 31, 2001 and 2000

Under provisions of the Revenue Bond Ordinances, certain funds have been established to provide bondholders a degree of security against certain contingencies. Retained earnings of \$12,486,077 at December 31, 2001 and \$9,947,409 at December 31, 2000 were reserved for operations and maintenance expenses, along with renewal and replacement of property and equipment, as detailed below:

	<u>2001</u>	<u>2000</u>
Operation and maintenance	\$ 9,678,630	\$ 8,838,731
Renewal and replacement	<u>2,807,447</u>	<u>1,108,678</u>
	<u>\$ 12,486,077</u>	<u>\$ 9,947,409</u>

### Note 11: Rental Income From Operating Leases

The Authority leases space in the Indianapolis International Airport terminal along with other land and buildings on a fixed fee as well as a contingent rental basis. Many of the leases provide for a periodic review and redetermination of the rental amounts. Substantially all of the assets classified under property and equipment in the balance sheet are held by the Authority for the purpose of rental or related use.

Minimum future rentals on noncancelable leases to be received in each of the next five years and thereafter are as follows:

	<b>Special Facility Debt Service Rentals</b>	<b>Other Operating Lease Rentals</b>	<b>Total</b>
2002	\$ 32,514,805	\$ 27,877,464	\$ 60,392,269
2003	32,514,805	25,781,011	58,295,816
2004	32,514,805	25,086,923	57,601,728
2005	32,514,805	24,557,058	57,071,863
2006	32,514,805	24,301,535	56,816,340
Thereafter	<u>1,046,765,416</u>	<u>116,763,100</u>	<u>1,163,528,516</u>
	<u>\$ 1,209,339,441</u>	<u>\$ 244,367,091</u>	<u>\$ 1,453,706,532</u>

The Authority has entered into an Agreement and Lease of Premises with certain passenger, charter, and cargo airlines serving the airport, which are collectively referred to as the Signatory Airlines. The agreements expire on December 31, 2010. Rental rates under these agreements are redetermined annually. The table above reflects rental rates that were in effect as of January 2002.

Contingent rentals and fees aggregated approximately \$25,000,000 in 2001 and \$24,000,000 in 2000 and are accrued in arrears.

# Indianapolis Airport Authority

## Notes to Financial Statements

December 31, 2001 and 2000

### Note 12: Commitments and Contingencies

#### *Land Acquisition*

Pursuant to an Airport Noise and Land Use Compatibility Study (Study) adopted in 1987, the Authority has implemented a program of land acquisition (the Guaranteed Purchase Program) in order to mitigate the effects of its operations on neighboring areas. New runways were completed in 1990 and 1995. Certain areas surrounding the airport were impacted by noise as these new runways became operational. As a result, a program of land use management measures was adopted, as recommended by the Study, which included the acquisition of aviation easements, development rights, and residential dwellings located in the noise-impacted areas. The Authority spent approximately \$28,000,000 under this program (Phase I) to acquire 260 homes. Of this \$28,000,000, approximately \$23,000,000 was eligible for 80% reimbursement from the FAA.

In 1991, the Authority updated the 1987 Noise and Land Use Compatibility Study and final recommendations were adopted by the Authority Board in April 1992. The recommendations included expanding the Guaranteed Purchase Program to add approximately 750 more homes at an estimated cost of \$75,000,000. Implementation began in the fall of 1992 and will take an estimated ten years to complete. As of December 31, 2001, the Authority has spent approximately \$94,000,000 including relocation costs under this program (Phase II), substantially all of which was eligible for 80% reimbursement from the FAA.

A second update and five-year review of the Authority's noise compatibility program (Phase III) began in 1996. Final recommendations were adopted by the Authority Board in February 1998, followed by FAA approval in October 1998. The recommendations include continuation of the Guaranteed Purchase Program with respect to approximately 132 homes. In addition, approximately 381 homes are eligible for the new Sound Insulation & Purchase Assurance Programs. The Sound Insulation Program simply pays for a home within the impacted noise area to be sound insulated with respect to doors, window treatments, etc., with no further cash outlay required by the Authority. Under the Purchase Assurance Program, the Authority will purchase the property, sound insulate the home and then resell the property on the open market. Participation in either the Sound Insulation or Purchase Assurance programs requires the homeowner to grant an aviation easement in favor of the Authority. A third program, Sales Assistance, is available to approximately 941 homes. Sales Assistance consists of a benefit payment to homeowners adjacent to the 65DNL noise contour. The benefit payment is equal to 10% of the contract sales price between the homeowner and third party buyer, in exchange for the inclusion of a Noise Disclosure Statement in the deed of conveyance. The estimated cost of the Phase III programs approximate \$60.2 million. These programs, excluding Sales Assistance, are eligible for reimbursement from passenger facility charges and FAA noise grants (at 80% reimbursement). As of December 31, 2001, the Authority has spent approximately \$34,800,000 in conjunction with these programs.

# **Indianapolis Airport Authority**

## **Notes to Financial Statements**

**December 31, 2001 and 2000**

### ***Environmental Mitigation***

In order to comply with environmental laws, the Authority implemented a natural resource mitigation program in 1992 to create, monitor and maintain wetlands along with habitats for the endangered Indiana bat. These are intended to replace those areas that were removed by construction of the United IMC facility and the new runway, 5L-23R. As of December 31, 2001, the Authority has acquired approximately 1,500 acres and spent approximately \$19,407,000 under this program, of which 28% is eligible for reimbursement from the FAA. The Authority will continue to maintain and monitor interim bat habitats under this program through the year 2007, and must thereafter maintain the wetlands and certain associated summer bat habitat, comprising approximately 800 acres, in perpetuity, or until control over such areas can be transferred to other responsible parties.

### ***Capital Improvements***

As of December 31, 2001, the Authority was obligated for completion of certain airport improvements under commitments of approximately \$44,400,000 of which an estimated \$30,400,000 is eligible for partial reimbursement from the FAA.

The Authority has announced its intent to build a new passenger terminal, which will be located between the two parallel runways at Indianapolis International Airport. The concept of a midfield terminal has been incorporated into the Airport's long-term master planning since 1975, when the terminal was first included in the Master Plan. At this time, estimated costs for the midfield terminal project are \$808,000,000 (as measured in 2000 dollars) and the terminal is anticipated to open in July of 2007.

### ***Payment to City of Indianapolis***

During 2001, the Authority paid the City of Indianapolis \$3,092,293 for services provided in 2001 and the six years prior, which were entirely related to public safety. The Air Transport Association has asked the FAA to review this transaction and the Authority has provided all appropriate documentation pursuant to that request.

### ***Compensation to BAA***

In 2001, the Authority recognized \$2,194,918 for Year 6 compensation to BAA. However, final compensation is still being negotiated and could be adjusted by up to \$450,000. Any adjustments mutually agreed to between the parties would be recognized in 2002 or later.

### ***Litigation***

The nature of the business of the airport generates certain litigation against the Authority arising in the ordinary course of business. However, the Authority believes that the ultimate outcome of these matters, in the aggregate, should not have a materially adverse effect on its financial position or results of operations.

## **Supplementary Information**

# Indianapolis Airport Authority

## Schedule of Balance Sheet Information

### December 31, 2001

#### Assets

	2001				
	Authority	United Air Lines IMC <sup>(1)</sup>	FedEx Sort Facility <sup>(1)</sup>	FedEx Hangar Facility <sup>(1)</sup>	Total
<b>Current Assets</b>					
Cash and cash equivalents	\$ 22,540,033	\$ —	\$ —	\$ —	\$ 22,540,033
Receivable from BAA	861,538	—	—	—	861,538
Accounts receivable, net	2,565,377	—	—	—	2,565,377
Unbilled revenues	1,914,763	—	—	—	1,914,763
Supplies and materials inventories	1,271,585	—	—	—	1,271,585
Other current assets	<u>199,999</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>199,999</u>
Total current assets	<u>29,353,295</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>29,353,295</u>
<b>Restricted Assets</b>					
Cash and cash equivalents	67,399,863	39,478,590	4,358	18,641	106,901,452
Investment securities	8,449,010	—	—	—	8,449,010
Accrued interest receivable	54,484	—	—	—	54,484
Grants receivable	5,151,242	—	—	—	5,151,242
Receivable - passenger facility charges	1,591,631	—	—	—	1,591,631
Receivable - State of Indiana	318,458	3,161,325	—	—	3,479,783
Accrued debt service rentals	<u>—</u>	<u>13,355,351</u>	<u>48,759,605</u>	<u>1,392,391</u>	<u>63,507,347</u>
Total restricted assets	<u>82,964,688</u>	<u>55,995,266</u>	<u>48,763,963</u>	<u>1,411,032</u>	<u>189,134,949</u>
<b>Property and Equipment</b>	<u>493,563,417</u>	<u>457,549,131</u>	<u>196,637,379</u>	<u>17,348,633</u>	<u>1,165,098,560</u>
<b>Other Assets</b>					
Rent receivable	2,573,281	—	—	—	2,573,281
Bond issue and loan administration costs, net	<u>2,147,951</u>	<u>1,261,685</u>	<u>1,828,281</u>	<u>347,547</u>	<u>5,585,464</u>
	<u>4,721,232</u>	<u>1,261,685</u>	<u>1,828,281</u>	<u>347,547</u>	<u>8,158,745</u>
Total assets	<u>\$ 610,602,632</u>	<u>\$ 514,806,082</u>	<u>\$ 247,229,623</u>	<u>\$ 19,107,212</u>	<u>\$ 1,391,745,549</u>

(1) Columns reflect the carrying value of the facility and related financing transactions only.



## Liabilities and Equity

	2001				Total
	Authority	United Air Lines IMC <sup>(1)</sup>	FedEx Sort Facility <sup>(1)</sup>	FedEx Hangar Facility <sup>(1)</sup>	
<b>Current Liabilities</b>					
Accounts payable	\$ 794,953	\$ —	\$ —	\$ —	\$ 794,953
Accounts payable - BAA	275,728	—	—	—	275,728
Accrued and withheld items	<u>2,227,618</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,227,618</u>
Total current liabilities	<u>3,298,299</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,298,299</u>
<b>Liabilities Payable From Restricted Assets</b>					
Accounts payable	2,297,675	1,221,303	—	—	3,518,572
Current portion of debt	50,209,298	12,287,712	—	—	62,497,010
Accrued interest on debt	<u>4,473,973</u>	<u>3,733,250</u>	<u>7,736,944</u>	<u>214,729</u>	<u>16,158,896</u>
Total liabilities payable from restricted assets	<u>56,980,946</u>	<u>17,242,265</u>	<u>7,736,944</u>	<u>214,729</u>	<u>82,174,884</u>
<b>Bonds Payable and Other Debt</b>	<u>138,313,457</u>	<u>494,282,916</u>	<u>236,036,826</u>	<u>21,846,198</u>	<u>890,479,397</u>
<b>Other Long-Term Liabilities</b>	<u>210,559</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>210,559</u>
Total liabilities	<u>198,803,261</u>	<u>511,525,181</u>	<u>243,773,770</u>	<u>22,060,927</u>	<u>976,163,139</u>
<b>Equity</b>					
Grants and contributions	<u>154,651,917</u>	<u>25,725,616</u>	<u>—</u>	<u>—</u>	<u>180,377,533</u>
Retained earnings					
Reserved	12,486,077	—	—	—	12,486,077
Unreserved	<u>244,661,377</u>	<u>(22,444,715)</u>	<u>3,455,853</u>	<u>(2,953,715)</u>	<u>222,718,800</u>
	<u>257,147,454</u>	<u>(22,444,715)</u>	<u>3,455,853</u>	<u>(2,953,715)</u>	<u>235,204,877</u>
Total equity	<u>411,799,371</u>	<u>3,280,901</u>	<u>3,455,853</u>	<u>(2,953,715)</u>	<u>415,582,410</u>
Total liabilities and equity	<u>\$ 610,602,632</u>	<u>\$ 514,806,082</u>	<u>\$ 247,229,623</u>	<u>\$ 19,107,212</u>	<u>\$ 1,391,745,549</u>

# Indianapolis Airport Authority

## Schedule of Balance Sheet Information

### December 31, 2000

#### Assets

	2000				
	Authority	United Air Lines IMC <sup>(1)</sup>	FedEx Sort Facility <sup>(1)</sup>	FedEx Hangar Facility <sup>(1)</sup>	Total
<b>Current Assets</b>					
Cash and cash equivalents	\$ 15,123,372	\$ —	\$ —	\$ —	\$ 15,123,372
Accounts receivable, net	2,888,766	—	—	—	2,888,766
Unbilled revenues	2,167,539	—	—	—	2,167,539
Supplies and materials inventories	992,892	—	—	—	992,892
Other current assets	<u>147,253</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>147,253</u>
Total current assets	<u>21,319,822</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>21,319,822</u>
<b>Restricted Assets</b>					
Cash and cash equivalents	59,055,714	21,551,585	4,358	17,497	80,629,154
Investment securities	16,494,786	23,362,465	—	—	39,857,251
Accrued interest receivable	165,522	—	—	—	165,522
Grants receivable	260,797	—	—	—	260,797
Receivable - passenger facility charges	1,507,785	—	—	—	1,507,785
Receivable - State of Indiana	319,486	3,109,168	—	—	3,428,654
Accrued debt service rentals	<u>—</u>	<u>11,243,915</u>	<u>41,868,910</u>	<u>1,048,552</u>	<u>54,161,377</u>
Total restricted assets	<u>77,804,090</u>	<u>59,267,133</u>	<u>41,873,268</u>	<u>1,066,049</u>	<u>180,010,540</u>
<b>Property and Equipment</b>	<u>477,873,143</u>	<u>467,363,468</u>	<u>204,961,360</u>	<u>17,936,124</u>	<u>1,168,134,095</u>
<b>Other Assets</b>					
Rent receivable	2,465,439	—	—	—	2,465,439
Bond issue and loan administration costs, net	<u>2,565,605</u>	<u>1,274,317</u>	<u>1,895,028</u>	<u>360,851</u>	<u>6,095,801</u>
	<u>5,031,044</u>	<u>1,274,317</u>	<u>1,895,028</u>	<u>360,851</u>	<u>8,561,240</u>
Total assets	<u>\$ 582,028,099</u>	<u>\$ 527,904,918</u>	<u>\$ 248,729,656</u>	<u>\$ 19,363,024</u>	<u>\$ 1,378,025,697</u>

(1) Columns reflect the carrying value of the facility and related financing transactions only.

## Liabilities and Equity

	2000				
	Authority	United Air Lines IMC <sup>(1)</sup>	FedEx Sort Facility <sup>(1)</sup>	FedEx Hangar Facility <sup>(1)</sup>	Total
<b>Current Liabilities</b>					
Accounts payable	\$ 839,557	\$ —	\$ —	\$ —	\$ 839,557
Accounts payable - BAA	284,007	—	—	—	284,007
Accrued and withheld items	<u>1,794,234</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,794,234</u>
Total current liabilities	<u>2,917,798</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,917,798</u>
<b>Liabilities Payable From Restricted Assets</b>					
Accounts payable	2,592,987	1,475,908	—	—	4,068,895
Current portion of debt	38,365,943	10,846,476	—	—	49,212,419
Accrued interest on debt	<u>4,959,958</u>	<u>3,796,435</u>	<u>7,736,944</u>	<u>214,729</u>	<u>16,708,066</u>
Total liabilities payable from restricted assets	<u>45,918,888</u>	<u>16,118,819</u>	<u>7,736,944</u>	<u>214,729</u>	<u>69,989,380</u>
<b>Bonds Payable and Other Debt</b>	<u>162,744,847</u>	<u>506,206,506</u>	<u>235,975,082</u>	<u>21,788,437</u>	<u>926,714,872</u>
<b>Other Long-Term Liabilities</b>	<u>102,800</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>102,800</u>
Total liabilities	<u>211,684,333</u>	<u>522,325,325</u>	<u>243,712,026</u>	<u>22,003,166</u>	<u>999,724,850</u>
<b>Equity</b>					
Grants and contributions	<u>163,307,113</u>	<u>25,725,616</u>	<u>—</u>	<u>—</u>	<u>189,032,729</u>
Retained earnings					
Reserved	9,947,409	—	—	—	9,947,409
Unreserved	<u>197,089,244</u>	<u>(20,146,023)</u>	<u>5,017,630</u>	<u>(2,640,142)</u>	<u>179,320,709</u>
	<u>207,036,653</u>	<u>(20,146,023)</u>	<u>5,017,630</u>	<u>(2,640,142)</u>	<u>189,268,118</u>
Total equity	<u>370,343,766</u>	<u>5,579,593</u>	<u>5,017,630</u>	<u>(2,640,142)</u>	<u>378,300,847</u>
Total liabilities and equity	<u>\$ 582,028,099</u>	<u>\$ 527,904,918</u>	<u>\$ 248,729,656</u>	<u>\$ 19,363,024</u>	<u>\$ 1,378,025,697</u>

# Indianapolis Airport Authority

## Schedule of Revenues, Expenses and Changes in Retained Earnings Information

### Years Ended December 31, 2001 and 2000

	2001				
	Authority	United Air Lines IMC <sup>(1)</sup>	FedEx Sort Facility <sup>(1)</sup>	FedEx Hangar Facility <sup>(1)</sup>	Total
<b>Operating Revenues</b>					
Airfield	\$ 17,168,364	\$ —	\$ —	\$ —	\$ 17,168,364
Terminal complex	24,490,418	—	—	—	24,490,418
Parking	22,230,909	—	—	—	22,230,909
Rented buildings and other	13,384,770	16,457,260	23,771,300	1,633,320	55,245,957
Reliever airports	1,590,709	—	—	—	1,590,709
Total operating revenues	<u>78,864,477</u>	<u>16,457,260</u>	<u>23,771,300</u>	<u>1,633,320</u>	<u>120,726,357</u>
<b>Operating Expenses (including depreciation)</b>					
Airfield	15,146,905	—	—	—	15,146,905
Terminal complex	11,193,612	—	—	—	11,193,612
Parking	5,757,251	—	—	—	5,757,251
Rented buildings and other	6,708,725	16,704,761	8,323,980	587,491	32,324,957
Reliever airports	2,168,632	—	—	—	2,168,632
Public safety	8,336,135	—	—	—	8,336,135
Administration	9,183,672	—	—	—	9,183,672
Total operating expenses	<u>58,494,932</u>	<u>16,704,761</u>	<u>8,323,980</u>	<u>587,491</u>	<u>84,111,164</u>
<b>Income (Loss) From Operations</b>	<u>20,369,545</u>	<u>(247,501)</u>	<u>15,447,320</u>	<u>1,045,829</u>	<u>36,615,193</u>
<b>Nonoperating Revenues (Expenses)</b>					
State and local appropriations	825,542	29,231,003	—	—	30,056,545
Passenger facility charges	13,909,327	—	—	—	13,909,327
Grant revenue, net	16,600,567	—	—	—	16,600,567
Investment income	3,448,448	1,814,213	—	—	5,262,661
Interest expense, net of capitalized interest	(13,117,176)	(33,100,880)	(17,009,097)	(1,359,402)	(64,586,555)
Gain (Loss) on disposals of property and equipment and other	(580,649)	4,473	—	—	(576,176)
	<u>21,086,059</u>	<u>(2,051,191)</u>	<u>(17,009,097)</u>	<u>(1,359,402)</u>	<u>666,369</u>
<b>Net Income (Loss)</b>	41,455,604	(2,298,692)	(1,561,777)	(313,573)	37,281,562
Depreciation on property and equipment acquired under federal and state grants externally restricted for capital acquisitions and construction which reduces grant equity	<u>8,655,197</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>8,655,197</u>
<b>Increase (Decrease) in Retained Earnings</b>	<u>50,110,801</u>	<u>(2,298,692)</u>	<u>(1,561,777)</u>	<u>(313,573)</u>	<u>45,936,759</u>
<b>Retained Earnings (Deficit), Beginning of Year as Previously Reported</b>	207,036,653	(20,146,023)	5,017,630	(2,640,142)	189,268,118
<b>Cumulative Effect of Change in Accounting Principle</b>	—	—	—	—	—
<b>Retained Earnings, Beginning of Year, Restated</b>	<u>207,036,653</u>	<u>(20,146,023)</u>	<u>5,017,630</u>	<u>(2,640,142)</u>	<u>189,268,118</u>
<b>Retained Earnings (Deficit), End of Year</b>	<u>\$ 257,147,454</u>	<u>\$ (22,444,715)</u>	<u>\$ 3,455,853</u>	<u>\$ (2,953,715)</u>	<u>\$ 235,204,877</u>

<sup>(1)</sup> Columns reflect debt service rentals less related interest expense, depreciation on the facility, and related items (amortization of bond discount and issue costs, interest income on bond funds, and trustee expenses). Ground and additional rentals are not reflected.

2000				
Authority	United Air Lines IMC <sup>(1)</sup>	FedEx Sort Facility <sup>(1)</sup>	FedEx Hangar Facility <sup>(1)</sup>	Total
\$ 14,931,279	\$ —	\$ —	\$ —	\$ 14,931,279
23,347,368	—	—	—	23,347,368
22,652,691	—	—	—	22,652,691
21,307,198	16,301,749	23,282,180	1,615,103	62,506,230
<u>1,421,850</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,421,850</u>
<u>83,660,386</u>	<u>16,301,749</u>	<u>23,282,180</u>	<u>1,615,103</u>	<u>124,859,418</u>
15,236,477	—	—	—	15,236,477
10,058,735	—	—	—	10,058,735
5,519,136	—	—	—	5,519,136
7,106,165	17,011,518	8,323,980	587,491	33,029,154
2,158,476	—	—	—	2,158,476
4,105,525	—	—	—	4,105,525
<u>9,711,552</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,711,552</u>
<u>53,896,066</u>	<u>17,011,518</u>	<u>8,323,980</u>	<u>587,491</u>	<u>79,819,055</u>
<u>29,764,320</u>	<u>(709,769)</u>	<u>14,958,200</u>	<u>1,027,612</u>	<u>45,040,363</u>
825,541	28,587,775	—	—	29,413,316
10,889,937	—	—	—	10,889,937
10,972,405	—	—	—	10,972,405
4,528,644	3,568,244	169	668	8,097,725
(14,314,172)	(33,676,246)	(16,999,316)	(1,359,479)	(66,349,213)
<u>(824,787)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(824,787)</u>
<u>12,077,568</u>	<u>(1,520,227)</u>	<u>(16,999,147)</u>	<u>(1,358,811)</u>	<u>(7,800,617)</u>
41,841,888	(2,229,996)	(2,040,947)	(331,199)	37,239,746
<u>7,873,033</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,873,033</u>
<u>49,714,921</u>	<u>(2,229,996)</u>	<u>(2,040,947)</u>	<u>(331,199)</u>	<u>45,112,779</u>
145,541,166	(17,916,027)	7,058,577	(2,308,943)	132,374,773
<u>11,780,566</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>11,780,566</u>
<u>157,321,732</u>	<u>(17,916,027)</u>	<u>7,058,577</u>	<u>(2,308,943)</u>	<u>144,155,339</u>
<u>\$ 207,036,653</u>	<u>\$ (20,146,023)</u>	<u>\$ 5,017,630</u>	<u>\$ (2,640,142)</u>	<u>\$ 189,268,118</u>

**Indianapolis Airport Authority**  
**Schedule of Operating Revenues**  
**Years Ended December 31, 2001 and 2000**

	<b>2001</b>	<b>2000</b>	<b>Increase (Decrease)</b>
<b>Airfield</b>			
Landing fees - scheduled airlines	\$ 5,927,701	\$ 4,948,516	\$ 979,185
Landing fees - freight and other	7,377,825	5,989,891	1,387,934
Apron fees	3,565,290	3,566,058	(768)
Commissions - aviation fuel sales	275,102	404,103	(129,001)
Other	<u>22,446</u>	<u>22,711</u>	<u>(265)</u>
	<u>17,168,364</u>	<u>14,931,279</u>	<u>2,237,085</u>
<b>Terminal Complex</b>			
Space rental			
Airlines	12,504,346	10,707,216	1,797,130
Concessionaires	4,372,805	4,345,980	26,825
Administration building	290,340	288,510	1,830
Other space rental	217,593	174,873	42,720
Automobile rental commissions	5,923,642	6,670,145	(746,503)
Security fees	361,942	384,173	(22,231)
Other commissions, fees, etc.	<u>819,750</u>	<u>776,471</u>	<u>43,279</u>
	<u>24,490,418</u>	<u>23,347,368</u>	<u>1,143,050</u>
<b>Parking - parking operations</b>	<u>22,230,909</u>	<u>22,652,691</u>	<u>(421,782)</u>
<b>Rented Buildings and Other</b>			
Northwest quadrant rentals	19,114,345	19,434,064	(319,719)
Southeast quadrant rentals	23,877,309	23,387,094	490,215
Space rental - freight buildings	611,688	583,120	28,568
Space rental - hangars	30,600	30,600	—
Space rental - other buildings	1,130,529	1,040,361	90,168
Ground leases	4,540,401	4,435,428	104,973
Contributions from lessees	4,859,986	13,059,173	(8,199,187)
Farm income	156,969	167,788	(10,819)
International building	144,456	151,763	(7,307)
Other	<u>779,674</u>	<u>216,839</u>	<u>562,835</u>
	<u>55,245,957</u>	<u>62,506,230</u>	<u>(7,260,273)</u>
<b>Reliever Airports</b>	<u>1,590,709</u>	<u>1,421,850</u>	<u>168,859</u>
	<u>\$ 120,726,357</u>	<u>\$ 124,859,418</u>	<u>\$ (4,133,061)</u>

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**Indianapolis Airport Authority**  
**Schedule of Operating Expenses**  
**Year Ended December 31, 2001 and 2000**  
**(With Comparative Totals for 2000)**

	<b>Airfield</b>	<b>Terminal Complex</b>	<b>Parking</b>	<b>Rented Buildings And Other</b>	<b>Reliever Airports</b>
<b>Personal Services</b>					
Salaries and wages	\$ 1,269,392	\$ 2,375,664	\$ 1,927,408	\$ 209,717	\$ 215,460
Professional fees	95	105,250	3,665	41,629	410
Employee insurance	271,139	581,625	376,333	23,838	39,355
Retirement and social security	<u>193,726</u>	<u>330,131</u>	<u>263,483</u>	<u>34,901</u>	<u>33,986</u>
	<u>1,734,352</u>	<u>3,392,670</u>	<u>2,570,889</u>	<u>310,085</u>	<u>289,211</u>
<b>Contractual Services</b>					
Transportation and communication	31,056	40,411	20,162	4,095	10,870
Utilities	707,622	1,213,679	200,325	93,277	124,807
Printing and advertising	3,205	31,545	5,947	4,712	481
Repairs and maintenance	261,500	334,009	39,509	40,610	93,331
Snow removal and other	85,106	324,910	411,744	147,905	79,080
BAA compensation	—	—	—	—	—
Environmental mitigation	<u>13,704</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>1,102,193</u>	<u>1,944,554</u>	<u>677,687</u>	<u>290,599</u>	<u>308,569</u>
<b>Supplies</b>					
Fuel	231,308	—	23	—	82,017
Garage and motor	30,923	1,130	15,234	19	2,044
Institutional and medical	15,281	230,016	24,604	—	3,276
Office supplies	7,858	11,674	53,507	1,551	3,923
Snow and ice chemicals	131,694	666	—	—	—
Other	<u>38,260</u>	<u>131,432</u>	<u>38,101</u>	<u>1,010</u>	<u>4,696</u>
	<u>455,324</u>	<u>374,918</u>	<u>131,469</u>	<u>2,580</u>	<u>95,956</u>
<b>Materials</b>					
Building	2,816	26,239	1,481	2,338	2,375
Pavement and grounds	120,436	2,227	257	—	22,563
Repair parts	205,511	102,965	160,165	—	13,521
Small equipment and tools	12,089	22,925	—	—	3,836
Other	<u>129,344</u>	<u>22,613</u>	<u>5,662</u>	<u>2,199</u>	<u>9,738</u>
	<u>470,196</u>	<u>176,969</u>	<u>167,565</u>	<u>4,537</u>	<u>52,033</u>
<b>General</b>					
Insurance	194,843	109,567	78,458	—	42,086
Equipment rental	2,764	4,365	10,259	—	—
Other (including bad debts)	<u>1,879</u>	<u>3,303</u>	<u>3,324</u>	<u>19</u>	<u>2,047</u>
	<u>199,486</u>	<u>117,235</u>	<u>92,041</u>	<u>19</u>	<u>44,133</u>
<b>Depreciation</b>	<u>11,185,354</u>	<u>5,187,266</u>	<u>2,117,600</u>	<u>31,717,137</u>	<u>1,378,730</u>
	<u>\$ 15,146,905</u>	<u>\$ 11,193,612</u>	<u>\$ 5,757,251</u>	<u>\$ 32,324,957</u>	<u>\$ 2,168,632</u>



**2001**

<b>Public Safety</b>	<b>Administration</b>	<b>Total</b>	<b>Year Ended December 31, 2000</b>	<b>Increase (Decrease)</b>
\$ 3,269,613	\$ 3,221,229	\$ 12,488,483	\$ 11,813,047	\$ 675,436
25,142	1,123,626	1,299,817	1,351,474	(51,657)
540,205	392,961	2,225,456	1,832,327	393,129
<u>455,818</u>	<u>415,646</u>	<u>1,727,691</u>	<u>1,601,301</u>	<u>126,390</u>
<u>4,290,778</u>	<u>5,153,462</u>	<u>17,741,447</u>	<u>16,598,149</u>	<u>1,143,298</u>
71,510	685,010	863,114	731,037	132,077
30,476	—	2,370,186	1,893,717	476,469
15,823	119,080	180,793	241,732	(60,939)
32,594	223,007	1,024,560	1,140,625	(116,065)
3,282,240	171,381	4,502,366	1,208,057	3,294,309
—	2,194,918	2,194,918	2,417,136	(222,218)
—	—	13,704	153,644	(139,940)
<u>3,432,643</u>	<u>3,393,396</u>	<u>11,149,641</u>	<u>7,785,948</u>	<u>3,363,693</u>
—	—	313,348	249,183	64,165
16,415	2,436	68,201	56,037	12,164
14,958	2,053	290,188	274,248	15,940
21,811	56,007	156,331	121,647	34,684
—	—	132,360	637,704	(505,344)
<u>111,558</u>	<u>25,901</u>	<u>350,958</u>	<u>292,095</u>	<u>58,863</u>
<u>164,742</u>	<u>86,397</u>	<u>1,311,386</u>	<u>1,630,914</u>	<u>(319,528)</u>
2,428	—	37,677	25,671	12,006
569	1,836	147,888	251,944	(104,056)
53,821	13,767	549,750	537,056	12,694
21,172	276	60,298	75,470	(15,172)
<u>5,611</u>	<u>891</u>	<u>176,058</u>	<u>146,045</u>	<u>30,013</u>
<u>83,601</u>	<u>16,770</u>	<u>971,671</u>	<u>1,036,186</u>	<u>(64,515)</u>
85,660	26,945	537,559	367,342	170,217
6,491	34,847	58,726	55,988	2,738
<u>4,534</u>	<u>134,127</u>	<u>149,233</u>	<u>693,684</u>	<u>(544,451)</u>
<u>96,685</u>	<u>195,919</u>	<u>745,518</u>	<u>1,117,014</u>	<u>(371,496)</u>
<u>267,686</u>	<u>337,728</u>	<u>52,191,501</u>	<u>51,650,844</u>	<u>540,657</u>
<u>\$ 8,336,135</u>	<u>\$ 9,183,672</u>	<u>\$ 84,111,164</u>	<u>\$ 79,819,055</u>	<u>\$ 4,292,109</u>

**Indianapolis Airport Authority**  
**Schedule of Bond Debt Service Requirements to Maturity**  
**(As of December 31, 2001)**

	Special Facility Revenue Bonds					
	1998		1995A		1994	
	Principal	Interest	Principal	Interest	Principal	Interest
2002	\$ —	\$ 1,288,375	\$ —	\$ 14,345,825	\$ —	\$ 16,880,605
2003	—	1,288,375	—	14,345,825	—	16,880,605
2004	—	1,288,375	—	14,345,825	—	16,880,605
2005	—	1,288,375	—	14,345,825	—	16,880,605
2006	—	1,288,375	—	14,345,825	—	16,880,605
2007	—	1,288,375	—	14,345,825	—	16,880,605
2008	—	1,288,375	—	14,345,825	—	16,880,605
2009	—	1,288,375	—	14,345,825	—	16,880,605
2010	—	1,288,375	—	14,345,825	—	16,880,605
2011	—	1,288,375	—	14,345,825	—	16,880,605
2012	—	1,288,375	—	14,345,825	—	16,880,605
2013	—	1,288,375	—	14,345,825	—	16,880,605
2014	—	1,288,375	—	14,345,825	—	16,880,605
2015	—	1,288,375	—	14,345,825	—	16,880,605
2016	—	1,288,375	—	14,345,825	—	16,880,605
2017	—	1,288,375	—	14,345,825	237,755,000	8,440,303
2018	—	1,288,375	—	14,345,825	—	—
2019	—	1,288,375	—	14,345,825	—	—
2020	—	1,288,375	—	14,345,825	—	—
2021	—	1,288,375	—	14,345,825	—	—
2022	—	1,288,375	—	14,345,825	—	—
2023	—	1,288,375	—	14,345,825	—	—
2024	—	1,288,375	—	14,345,825	—	—
2025	—	1,288,375	—	14,345,825	—	—
2026	—	1,288,375	—	14,345,825	—	—
2027	—	1,288,375	—	14,345,825	—	—
2028	—	1,288,375	—	14,345,825	—	—
2029	23,425,000	644,188	—	14,345,825	—	—
2030	—	—	—	14,345,825	—	—
2031	—	—	220,705,000	14,345,825	—	—
	<u>\$ 23,425,000</u>	<u>\$ 35,430,313</u>	<u>\$ 220,705,000</u>	<u>\$ 430,374,750</u>	<u>\$ 237,755,000</u>	<u>\$ 261,649,378</u>

Revenue Bonds of 1998A		Revenue Bonds of 1996A		Revenue Bonds of 1993		Total Debt Service
Principal	Interest	Principal	Interest	Principal	Interest	
\$ 13,120,000	\$ 2,872,288	\$ 2,665,000	\$ 2,937,483	\$ 1,095,000	\$ 2,673,764	\$ 57,878,340
13,815,000	2,216,288	2,790,000	2,804,233	1,155,000	2,614,686	57,910,012
14,535,000	1,491,000	2,935,000	2,657,758	1,215,000	2,551,274	57,899,837
15,285,000	764,250	3,085,000	2,511,008	1,280,000	2,483,269	57,923,332
—	—	3,265,000	2,333,620	1,350,000	2,410,269	41,873,694
—	—	3,455,000	2,137,720	1,425,000	2,331,500	41,864,025
—	—	3,640,000	1,952,878	1,505,000	2,247,263	41,859,946
—	—	3,835,000	1,761,774	1,595,000	2,157,141	41,863,720
—	—	4,040,000	1,560,440	1,685,000	2,060,791	41,861,036
—	—	4,255,000	1,334,200	1,790,000	1,958,713	41,852,718
—	—	4,505,000	1,095,920	1,890,000	1,850,613	41,856,338
—	—	4,750,000	843,640	2,005,000	1,736,197	41,849,642
—	—	5,015,000	577,640	2,120,000	1,613,700	41,841,145
—	—	5,300,000	296,800	2,250,000	1,482,600	41,844,205
—	—	—	—	2,385,000	1,343,550	36,243,355
—	—	—	—	2,525,000	1,196,250	265,550,753
—	—	—	—	2,680,000	1,040,100	19,354,300
—	—	—	—	2,835,000	874,650	19,343,850
—	—	—	—	3,010,000	699,300	19,343,500
—	—	—	—	3,190,000	513,300	19,337,500
—	—	—	—	3,380,000	316,200	19,330,400
—	—	—	—	3,580,000	107,400	19,321,600
—	—	—	—	—	—	15,634,200
—	—	—	—	—	—	15,634,200
—	—	—	—	—	—	15,634,200
—	—	—	—	—	—	15,634,200
—	—	—	—	—	—	15,634,200
—	—	—	—	—	—	38,415,013
—	—	—	—	—	—	14,345,825
—	—	—	—	—	—	<u>235,050,825</u>
<u>\$ 56,755,000</u>	<u>\$ 7,343,826</u>	<u>\$ 53,535,000</u>	<u>\$ 24,805,114</u>	<u>\$ 45,945,000</u>	<u>\$ 36,262,530</u>	<u>\$ 1,433,985,911</u>

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## Historical Data

# Indianapolis Airport Authority

## Financial Condition and Airport Statistical Data

### Years Ended December 31, 2001 - 1992

	2001	2000	1999 <sup>(2)</sup>	1998 <sup>(2)</sup>
<b>Operations Data</b>				
Operating revenues	\$ 120,726,357	\$ 124,859,418	\$ 105,122,776	\$ 93,235,564
Operating expenses (including depreciation)	<u>84,111,164</u>	<u>79,819,055</u>	<u>75,105,327</u>	<u>69,151,182</u>
Income from operations	36,615,193	45,040,363	30,017,449	24,084,382
Other revenues (expenses)				
State and local appropriations	30,056,545	29,413,316	28,736,823	28,167,664
Passenger facility charges	13,909,327	10,889,937	10,440,498	10,216,020
Grant revenue, net	16,600,567	10,972,405	—	—
Investment income	5,262,661	8,097,725	5,105,075	6,957,043
Pension reversion	—	—	—	—
Investment expense	(64,586,555)	(66,349,213)	(67,941,900)	(63,229,457)
Miscellaneous - net	<u>(576,176)</u>	<u>(824,787)</u>	<u>(1,005,538)</u>	<u>(14,391)</u>
Net income (loss)	<u>\$ 37,281,562</u>	<u>\$ 37,239,746</u>	<u>\$ 5,352,407</u>	<u>\$ 6,181,261</u>
Depreciation expense	\$ 52,191,501	\$ 51,650,844	\$ 50,702,167	\$ 45,636,590
<b>Balance Sheet Data</b>				
Bonds issued during year (net)	—	—	—	107,938,859
Commercial paper issued during the year	24,000,000	24,000,000	27,000,000	—
Special Facility Refunding Revenue Bonds of 1998	21,846,198	21,788,437	21,730,676	21,672,915
Special Facility Revenue Bonds of 1995A	212,859,593	212,781,066	212,707,703	212,639,167
Special Facility Revenue Bonds of 1994	236,036,826	235,975,082	235,917,590	235,864,058
Special Facility Revenue Bonds of 1989	—	—	—	—
Refunding Revenue Bonds of 1998A	53,533,961	62,428,245	70,257,537	72,551,143
Refunding Revenue Bonds of 1996A	47,832,876	49,717,472	51,430,736	52,964,400
Revenue Bonds of 1993	45,461,136	46,478,754	46,456,685	48,374,742
Revenue Bonds of 1988	—	—	—	—
Revenue Bonds of 1985	—	—	—	—
General obligation bond indebtedness	—	—	—	850,000
Obligations under capital lease	302,205,817	313,058,235	322,612,735	330,921,711
Credit facilities	9,200,000	9,700,000	19,700,000	20,150,000
Federal Government grants	16,291,516	10,852,796	12,966,593	11,574,975
Contributions - United IMC	—	—	—	5,576
State Government grants	309,051	119,609	127,430	75,441
Contributions - lessees and other	4,859,986	13,059,173	1,804,686	2,540,122
Airport equity	415,582,410	378,300,847	329,348,986	309,097,870
<b>Airport Activity Data - Indianapolis</b>				
International (Unaudited)				
Enplaned passengers	3,619,637	3,874,622	3,727,242	3,651,527
Scheduled air carrier departures	59,089	61,902	60,375	44,673
Landings and takeoffs	244,801	256,144	248,318	238,797
Outbound cargo - tons	437,373	421,236	353,366	285,408
Outbound mail - tons	178,437	226,607	236,377	168,418

(1) Excludes effect of restatement under GASB Statement No. 31

(2) Excludes effect of restatement under GASB Statement No. 33

1997 <sup>(2)</sup>	1996 <sup>(1), (2)</sup>	1995 <sup>(1), (2)</sup>	1994 <sup>(1), (2)</sup>	1993 <sup>(1), (2)</sup>	1992 <sup>(1), (2)</sup>
\$ 74,216,857	\$ 66,101,033	\$ 64,178,571	\$ 53,009,324	\$ 47,422,780	\$ 44,647,082
<u>61,494,122</u>	<u>59,554,799</u>	<u>49,765,200</u>	<u>43,169,920</u>	<u>36,495,008</u>	<u>36,107,899</u>
12,722,735	6,546,234	14,413,371	9,839,404	10,927,772	8,539,183
26,449,285	24,930,607	26,547,493	790,618	—	—
9,957,209	10,428,520	9,108,010	8,779,284	2,540,919	—
—	—	—	—	—	—
12,408,496	20,131,258	21,670,962	4,756,158	2,182,421	1,562,217
—	325,527	1,600,000	—	—	—
(54,316,092)	(63,698,114)	(60,550,437)	(19,294,913)	(15,958,954)	(13,900,691)
<u>(614,214)</u>	<u>17,525</u>	<u>(2,380)</u>	<u>(336,184)</u>	<u>(2,044,165)</u>	<u>(391,986)</u>
<u>\$ 6,607,419</u>	<u>\$ (1,318,443)</u>	<u>\$ 12,787,019</u>	<u>\$ 4,534,367</u>	<u>(2,352,007)</u>	<u>\$ (4,191,277)</u>
\$ 38,388,126	\$ 37,463,488	\$ 28,780,017	\$ 21,087,108	\$ 18,491,787	\$ 18,253,372
—	64,409,145	213,544,440	236,846,908	51,208,611	52,089,375
—	—	—	—	—	—
—	—	—	—	—	—
212,575,141	212,515,325	212,459,446	—	—	—
235,814,214	235,767,802	235,724,587	235,684,348	—	—
21,806,993	22,193,028	22,435,124	22,893,199	23,322,180	23,721,998
—	—	—	—	—	—
54,301,453	55,366,343	—	—	—	—
49,254,285	50,095,028	50,906,894	51,239,821	51,223,747	—
63,188,085	64,334,094	65,406,346	66,404,570	67,343,766	68,223,855
—	—	63,171,930	64,349,902	65,438,488	66,452,635
1,650,000	2,400,000	3,950,000	5,425,000	7,600,000	9,650,000
338,165,630	315,521,449	320,222,927	10,190,352	—	—
20,150,000	22,950,000	19,200,000	10,000,000	—	—
11,168,799	14,837,427	7,989,633	26,727,587	14,249,062	8,516,802
4,956,256	2,444,385	15,736,917	(9,930)	1,220,269	1,372,143
41,674	(2,500)	137,724	78,620	46,990	32,945
5,569,930	318,243	210,541	575,000	17,776	57,248
288,720,495	260,984,767	244,705,655	207,843,821	175,938,177	162,756,087
3,588,556	3,539,144	3,361,943	3,244,120	2,981,973	3,172,231
54,044	50,092	58,119	56,943	55,280	60,660
230,518	227,109	248,143	241,347	233,456	252,584
244,312	217,101	161,858	186,965	201,151	155,396
120,107	117,999	120,928	111,815	92,148	80,358

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**INDIANAPOLIS AIRPORT  
AUTHORITY**

Financial Statements  
December 31, 2000 and 1999  
With Supplementary Information  
and Historical Data

**INDIANAPOLIS AIRPORT AUTHORITY**  
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## Independent Auditor's Report

To Members of the Board of  
Indianapolis Airport Authority

We have audited the accompanying financial statements of Indianapolis Airport Authority (Authority) as of and for the years ended December 31, 2000 and 1999, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indianapolis Airport Authority, as of December 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Indianapolis Airport Authority taken as a whole. The supplementary information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

We have read the historical data for each of the ten years in the period ended December 31, 2000, and have compared it with the data included in the Authority's audited financial statements for such years. In our opinion, the historical data is fairly stated in relation to the financial statements from which it has been derived.

BKD, LLP  
Indianapolis, Indiana  
March 2, 2001

Solutions  
for  
Success

**INDIANAPOLIS AIRPORT AUTHORITY**  
**Balance Sheet**

<b>December 31</b>	<b>2000</b>	<b>1999</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 15,123,372	\$ 12,541,192
Receivable from BAA		2,362,004
Accounts receivable, net of allowance of \$407,110 and \$289,717	2,888,766	3,438,685
Unbilled revenues	2,167,539	1,851,577
Supplies and materials inventories	992,892	849,064
Other current assets	147,253	93,115
Total current assets	21,319,822	21,135,637
<b>Restricted Assets</b>		
Cash and cash equivalents—including \$57,026,045 and \$40,833,596 held by trustee	80,629,154	44,633,642
Investment securities—including \$25,592,465 and \$59,473,550 held by trustee	39,857,251	66,558,948
Accrued interest receivable	165,522	479,057
Grants receivable	260,797	313,772
Receivable—passenger facility charges	1,507,785	1,074,829
Receivable—State of Indiana	3,428,654	3,386,539
Accrued debt service rentals	54,161,377	45,461,726
Total restricted assets	180,010,540	161,908,513
<b>Property and Equipment</b>	<b>1,155,074,922</b>	<b>1,177,321,270</b>
<b>Other Assets</b>		
Rent receivable	2,465,439	2,342,737
Bond issue and loan administration costs, net	6,095,801	6,559,913
	8,561,240	8,902,650
Total assets	\$1,364,966,524	\$1,369,268,070

<b>December 31</b>	<b>2000</b>	<b>1999</b>
<b>Liabilities and Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 839,557	\$ 941,315
Accounts payable—BAA	284,007	251,428
Accrued and withheld items (including compensated absences)	1,794,233	1,609,772
Total current liabilities	2,917,797	2,802,515
<b>Liabilities Payable From Restricted Assets</b>		
Accounts payable	4,068,895	4,846,762
Current portion of debt	49,212,419	49,279,500
Accrued interest on debt	16,708,066	12,339,336
Total liabilities payable from restricted assets	69,989,380	66,465,598
<b>Bonds Payable and Other Debt</b>	926,714,872	958,534,162
<b>Other Long-Term Liabilities</b>		
Deferred income—lessee financed improvements and other	10,946,526	12,095,351
Accrued sick leave	37,496	21,458
	10,984,022	12,116,809
Total liabilities	1,010,606,071	1,039,919,084
<b>Equity</b>		
Grants and contributions	200,082,328	196,974,213
Retained earnings		
Reserved	9,947,409	9,845,649
Unreserved	144,330,716	122,529,124
	154,278,125	132,374,773
Total equity	354,360,453	329,348,986
Total liabilities and equity	\$1,364,966,524	\$1,369,268,070

See notes to financial statements.

**INDIANAPOLIS AIRPORT AUTHORITY**  
**Statement of Revenues, Expenses and Changes in Retained Earnings**

<b>Year Ended December 31</b>	<b>2000</b>	<b>1999</b>
<b>Operating Revenues</b>		
Airfield	\$ 14,931,279	\$ 12,340,383
Terminal complex	23,347,368	21,837,063
Parking	22,652,691	20,532,511
Rented buildings and other	50,277,951	49,041,604
Reliever airports	1,421,850	1,371,215
Total operating revenues	112,631,139	105,122,776
<b>Operating Expenses (includes depreciation of \$51,650,844 and \$50,702,167)</b>		
Airfield	15,236,477	12,866,076
Terminal complex	10,058,735	8,616,300
Parking	5,519,136	4,374,450
Rented buildings and other	33,029,154	34,980,559
Reliever airports	2,158,476	2,436,697
Public safety	4,105,525	3,272,449
Administration	9,711,552	8,558,796
Total operating expenses	79,819,055	75,105,327
<b>Income From Operations</b>	32,812,084	30,017,449
<b>Nonoperating Revenues (Expenses)</b>		
State and local appropriations	29,413,316	28,736,823
Passenger facility charges	10,889,937	10,440,498
Investment income	8,097,725	5,105,075
Interest expense, net of \$1,822,450 and \$1,259,986 interest capitalized	(66,349,213)	(67,941,900)
Loss on disposals of property and equipment and other	(860,426)	(1,005,538)
	(18,808,661)	(24,665,042)
<b>Net Income</b>	14,003,423	5,352,407
Depreciation on property and equipment acquired under federal and state grants externally restricted for capital acquisitions and construction which reduces grant equity	7,899,929	7,133,890
<b>Increase in Retained Earnings</b>	21,903,352	12,486,297
<b>Retained Earnings, Beginning of Year</b>	132,374,773	119,888,476
<b>Retained Earnings, End of Year</b>	\$154,278,125	\$132,374,773

See notes to financial statements.

# INDIANAPOLIS AIRPORT AUTHORITY

## Statement of Cash Flows

Year Ended December 31	2000	1999
<b>Cash Flows From Operating Activities</b>		
Income from operations	\$32,812,084	\$30,017,449
Adjustments to reconcile operating income to net cash provided by operating activities		
Bad debt expense	527,811	166,177
Depreciation and amortization of capital assets	51,650,844	50,702,167
Amortization of deferred income	(1,148,825)	(1,431,812)
Change in assets and liabilities		
Accounts receivable and unbilled revenues	(6,754,203)	(12,706,131)
Supplies and materials inventories	(143,828)	9,285
Other current assets	(59,424)	131,035
Accounts payable	664,739	(323,537)
Accrued and withheld items	200,499	224,805
Net cash provided by operating activities	<u>77,749,697</u>	<u>66,789,438</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Proceeds from issuance of commercial paper	24,000,000	27,000,000
Net change in revolving line of credit		(3,150,000)
Payment of issuance costs	(85,236)	(488,506)
Principal paid on bonds and commercial paper	(49,725,000)	(10,900,000)
Interest paid on bonds	(39,644,038)	(49,266,640)
Acquisition and construction of capital assets	(46,672,859)	(55,791,721)
Proceeds from sale of property and equipment	14,631,827	2,792,048
Passenger facility charges received	10,456,981	10,391,258
Capital grants received	14,857,715	15,962,019
Net cash used by capital and related financing activities	<u>(72,180,610)</u>	<u>(63,451,542)</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of investment securities	(77,306,063)	(72,621,775)
Proceeds from sales and maturities of investment securities	106,535,000	88,070,000
Interest received on investments and cash equivalents	3,779,668	5,053,797
Net cash provided by investing activities	<u>33,008,605</u>	<u>20,502,022</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>38,577,692</b>	<b>23,839,918</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>57,174,834</b>	<b>33,334,916</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$95,752,526</u></b>	<b><u>\$57,174,834</u></b>
<b>Noncash Capital and Related Financing Activities</b>		
Capital assets included in accounts payable		
End of year	\$2,026,548	\$3,642,274
Beginning of year	3,642,274	7,974,494
Contributed capital from lessees		1,254,440
Appropriations remitted directly to state and local agencies	29,413,316	28,736,823
<b>Noncash Investing Activities</b>		
Unrealized (gain) loss on investments	(643,008)	552,471

See notes to financial statements.

## **INDIANAPOLIS AIRPORT AUTHORITY**

### **Notes to Financial Statements**

#### **Note 1 — Nature of Organization and Summary of Significant Accounting Policies**

The Indianapolis Airport Authority (Authority) is a municipal corporation established January 1, 1962, under authority granted by Indiana statute (1961 Acts, Chapter 283, I.C. 1979 19-6-2, superceded by I.C. 8-22-3). The Authority was established for the general purpose of acquiring, maintaining, operating and financing airports and landing fields in and bordering on Marion County, Indiana. In connection therewith, the Authority is authorized, among other things, to issue general obligation revenue bonds and to levy taxes in accordance with the provisions of the statute. The Authority administers an airport system comprised of the Indianapolis International Airport, three general aviation reliever airports, one general aviation airport, and one general aviation reliever heliport. The Authority has no stockholders or equity holders and all revenue and other receipts must be disbursed in accordance with such statute.

The Authority's Board consists of seven members, five of which are appointed by the Mayor of the Consolidated City of Indianapolis-Marion County (a unified form of government commonly referred to as Unigov), one by the Marion County Board of Commissioners and one by the Hendricks County Board of Commissioners. Each member is appointed to a four-year term. Also, the Board presently has provision for two non-voting, advisory board members. One advisory member serves on the Authority's Board at the present time.

#### **Management Contract**

On October 1, 1995, the Authority entered into a ten-year Agreement for the Operation and Maintenance of the Indianapolis International Airport Facilities (BAA Management Contract) with BAA Indianapolis LLC and BAA USA Holdings, Inc. (collectively, BAA), both of which are subsidiaries of BAA plc, a United Kingdom public corporation. The BAA Management Contract contains an option to renew for one additional ten-year period and is for management services only. It does not transfer ownership of airport facilities to BAA. Rather, it grants BAA all necessary rights and powers to operate, maintain and manage the above mentioned airport system. The scope of BAA's services includes terminal, airfield and administrative management. BAA may also provide planning services for an additional fee. On December 18, 1998, the Authority and BAA approved an amendment to the BAA Management Contract. Among other matters, the amendment extended the life of the BAA Management Contract to December 31, 2008.

In accordance with the BAA Management Contract, BAA is required to collect all revenues on behalf of the Authority, deposit all revenues into the Authority's accounts and pay all of the Authority's operating expenses. However, BAA may not obligate the Authority for expenditures beyond budgetary limits adopted by the Authority's Board. While BAA serves as the Authority's administrative agent, all billings of the Authority and all remittances due the Authority are in the name of and made payable to the Authority. All revenues collected are directly deposited into the Airport System Fund, which is maintained by the Authority in the Authority's official depository bank. Withdrawals or transfers from the Airport System Fund can only be made by the Authority.



## INDIANAPOLIS AIRPORT AUTHORITY

### Notes to Financial Statements

The Authority is responsible for making all its debt service payments and for approving and making payments on all capital improvement projects. Additionally, the Authority retains various other powers and responsibilities, including:

- a. compliance with airline use agreements;
- b. FAA/AIP grant assurances compliance;
- c. passenger and cargo air service development policy formulation and implementation;
- d. issuance of debt in the Authority's name (or which would encumber the Authority's assets);
- e. aviation rates and charges regulation;
- f. long-range planning;
- g. land acquisition and development policy formulation and implementation planning;
- h. airport industrial and economic development policy formulation and implementation planning;
- i. wetlands and environmental policy;
- j. capital expenditure policy;
- k. all other statutory powers not delegated to BAA, including compliance with bond ordinance and loan covenants.

BAA receives no fixed compensation under the BAA Management Contract, but does receive monthly advances from the Authority for all operating expenses to be paid on the Authority's behalf, as well as reimbursements for certain capital expenditures and rent-free office space. From these advances, BAA pays expenses for the operation and maintenance of the Airport System. Each month, BAA provides the Authority with an itemized statement of operating expenses incurred. Accordingly, these financial statements reflect the Authority's operating expenses as if they had been paid directly by the Authority.

BAA's compensation is determined by an annual comparison of net airline cost per enplaned passenger to a baseline cost as defined in the BAA Management Contract. Any improvements over the baseline are shared by the Authority and BAA, with BAA's share serving as compensation. The amendment to the BAA Management Contract adjusted certain items affecting the compensation calculation, including the omission of parking revenue as a factor in airline cost. The sharing proportions during the 13-year term of the BAA Management Contract are as follows:

	Authority	BAA
Year 1	60.0%	40.0%
Year 2	65.0%	35.0%
Year 3-13	67.5%	32.5%

In accordance with the BAA Management Contract, the first compensation period (Year 1) covered the period October 1, 1995, through December 31, 1996. The baseline is subject to adjustments each year for inflation and such other adjustments as mutually agreed upon by the Authority and BAA. Additionally, BAA may receive a 5% bonus annually over a mutually determined service quality target.

## **INDIANAPOLIS AIRPORT AUTHORITY**

### **Notes to Financial Statements**

BAA must realize a guaranteed improvement in each year or it receives no compensation and must then pay the Authority the amount of any shortfall. The guarantee is calculated by a formula within the BAA Management Contract and is currently estimated to be \$29,166,000, over the life of the BAA Management Contract, expressed in 2000 dollars. BAA has negotiated a standby letter of credit for \$50,000,000 as a contingent funding source for the guarantee.

The receivable from BAA at December 31, 1999 of \$2,362,004 represents advances to BAA for the operations and maintenance of the airport. The January 2001 advance to BAA was not required (or paid) until January 1, 2001, therefore no receivable from BAA is recorded. At December 31, 2000, a payable to BAA of \$284,007 represents \$192,396 compensation and \$91,611 operations and maintenance charges due BAA. The payable due to BAA at December 31, 1999 of \$251,428 represents compensation due to BAA only.

#### **Financial Reporting Entity**

The definition of the reporting entity under Governmental Accounting Standards Board (GASB) Statement No. 14 is based primarily on the concept of financial accountability. Although the Mayor appoints a voting majority of the Authority's governing body, neither of the other two tests of financial accountability are met. Unigov is unable to impose its will on the Authority. Also, the Authority does not impose a financial burden or provide a financial benefit to Unigov.

The following criteria were considered:

#### **I. Imposition of will criteria**

##### **A. Remove appointed members of Authority Board at will**

The appointed members of the Authority Board cannot be removed by the Mayor without cause, and removal must be through an impeachment procedure.

##### **B. Modify or approve the Authority's budget**

The Authority Board is responsible for reviewing, approving, and modifying its budget. The City-County Council (the governing body for Unigov) holds public budget hearings, and may review and modify the budget. Since a tax levy is not currently required to finance the budget of the Authority, the Council's review is considered a routine administrative approval.

##### **C. Modify or approve changes in fees and charges**

The Authority establishes all fees and charges and negotiates contracts with commercial enterprises.

##### **D. Veto, overrule, or modify decisions of the Authority Board**

Decisions of the Board are not subject to change by Unigov.

##### **E. Appoint, hire, reassign, or dismiss management of the Authority**

Unigov has no control over the employment of Authority personnel.

## **INDIANAPOLIS AIRPORT AUTHORITY**

### **Notes to Financial Statements**

#### **II. Financial benefit/burden criteria**

##### **A. Legally entitled to or can otherwise access the Authority's resources**

The Authority's resources cannot be accessed by Unigov. Legislation was enacted in 1992 which authorized the City-County Council to impose a payment in lieu of taxes (PILOT) from various municipal corporations, including the Authority, to recover the cost of providing governmental services to public entities that operate as private enterprises and are exempt from property taxes. However, under the Airport and Airway Improvement Act of 1982, as amended, PILOTs may not be imposed without the loss of all federal funding or unless Unigov provides documentation of services actually provided to the Authority. Purchases of services are considered exchange transactions which are not manifestations of a financial benefit relationship.

##### **B. Legally obligated to finance the deficits of, or provide financial support to, the Authority**

The Authority is solely responsible for financing its deficits. The Authority may levy taxes on property within Marion County. It does not currently, and has no future plans to, levy such taxes.

##### **C. Obligated in some manner for the debt of the Authority**

The Authority is empowered to issue revenue bonds payable solely from revenue derived from the operation of the airport system and Special Facility Revenue Bonds payable exclusively from lease-rental payments. The Authority is also empowered to issue general obligation bonds. These bonds are not general obligations of Unigov, and neither the faith and credit nor the taxing power of Unigov is pledged to their payment.

Careful review of these criteria, therefore, has resulted in the conclusion that the Authority is a separate reporting entity.

#### **Basis of Accounting and Financial Reporting**

The financial statements consist of a single enterprise fund which is reported on the accrual basis and capital maintenance measurement focus.

The Authority prepares its financial statements in conformity with generally accepted accounting principles as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected to apply all applicable GASB pronouncements. In addition, the Authority follows all Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

#### **Cash Equivalents**

For purposes of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

## **INDIANAPOLIS AIRPORT AUTHORITY**

### **Notes to Financial Statements**

#### **Investment Securities**

Investment securities are stated at fair value.

#### **Unbilled Revenues**

The Authority accrues revenue for rentals earned but not yet billed as of year end. Debt service rentals related to certain conduit debt transactions of the Authority have been accrued by discounting future lump-sum payments to be received by the Authority at rates approximating current market conditions.

#### **Inventories**

Inventories of supplies and materials are valued at average cost. The Authority has relinquished management control over its inventories to BAA. However, the Authority retains ownership of the inventories.

#### **Lessee Financed Improvements**

Certain leases include provisions whereby lessee financed improvements become the property of the Authority. Prior to January 1, 1987, the costs of these improvements were capitalized and recorded as advance rentals (deferred income) and recognized on a straight-line basis over the lease term. Effective January 1, 1987, the Authority no longer records deferred income on lessee financed improvements. Lessee financed improvements are now recorded only upon leasehold reversion or lease termination, at which time the improvement is capitalized at fair value and recorded as contributed capital. The deferred income recorded prior to January 1, 1987 is being recognized over the remaining lease terms, or until lease termination.

#### **Property and Equipment**

Property and equipment purchased by the Authority are stated at historical cost. Depreciation of property and equipment is computed under the straight-line method at various rates considered adequate to allocate the costs over the estimated useful lives of such assets. Depreciation recognized on property and equipment acquired or constructed from grant revenue restricted for capital acquisitions is charged against contributed capital. This charge is effected by transferring the applicable depreciation from retained earnings and has no effect on net income. The estimated lives by general classification are as follows:

	<b>Years</b>
Buildings, including parking garage	20 to 40
Sewers	25
Runways, taxiways and aprons	15 to 25
Roads, ramps, parking areas, runway and apron lighting, etc.	15
Heavy equipment, furniture and fixtures and fencing	10
Vehicles, office equipment and other	3 to 5

In accordance with Financial Accounting Standards Board (FASB) Statement No. 62, interest incurred during construction periods is capitalized and included in the cost of property and equipment. Maintenance and repairs are expensed as incurred. Runways, taxiways, parking areas, sewers and other similar assets are written off when fully depreciated unless clearly identified as still being in use. Environmental mitigation costs related to creating and maintaining wetlands and habitats are generally charged to expense as incurred. These costs consist primarily of consulting fees and amounted to \$153,644 and \$180,604 in 2000 and 1999, respectively. Gains or losses on disposition of property and equipment are credited or charged accordingly to nonoperating revenues and expenses.

## **INDIANAPOLIS AIRPORT AUTHORITY**

### **Notes to Financial Statements**

#### **Issue Costs**

Bond issue costs are deferred and amortized over the life of the respective bond issue using the interest method. Commercial paper issuance costs are being amortized on a straight-line basis over five years, which is equal to the term of the letter of credit that secures the debt issuance.

#### **Original Issue Discount**

Original issue discount on bonds is amortized using the interest method over the life of the bonds to which it relates.

#### **Employee Health Benefits**

Upon commencement of the BAA Management Contract, the Authority's health plans were effectively terminated and all claims incurred by Authority employees prior to September 30, 1995, were submitted to these plans for settlement. The employees of BAA can elect to be covered under a self-insured plan or a plan provided by a Health Maintenance Organization. The costs associated with these plans are paid by the Authority in accordance with the BAA Management Contract.

#### **Compensated Absences**

Through September 30, 1995, all Authority employees received compensation for vacations, holidays, illness and certain other qualifying absences. Former Authority personnel and all others hired by BAA continue to accrue benefits for compensated absences under similar policies. All payments for compensated absences are paid to BAA by the Authority as stipulated in the BAA Management Contract.

Accumulated unused sick leave benefits for BAA employees are nonvesting until retirement. At retirement, any accumulated sick leave in excess of 160 hours (224 hours for fire department personnel) is to be paid to the employee at a rate of one hour for every two excess hours. The maximum number of sick leave hours that can be paid to any Authority or BAA employee is 96.

In accordance with the "vesting method" provided under GASB Statement No. 16, *Accounting for Compensated Absences*, accumulated unused sick leave pay has been accrued based on assumptions concerning the probability that certain BAA employees will become eligible to receive these benefits in the future.

#### **Capital Grant Funds**

Certain expenditures for airport capital improvements receive significant federal funding through the Airport Improvement Program of the Federal Aviation Administration (FAA). Funds are also received for airport development from the State of Indiana. Capital funding provided under government grants is considered earned as the related approved expenditures are incurred. Expenditures are subject to audit and acceptance by the granting agency.

#### **Passenger Facility Charges**

Generally, the FAA grants the Authority approval to impose and use a passenger facility charge (PFC) of \$3 per enplaned passenger on flights originating from Indianapolis. PFCs are restricted for use in the acquisition of real estate and the construction of certain airport improvements. The maximum amount approved for use by the Authority aggregates \$115,008,616. PFCs which are recognized as earned, are included in nonoperating revenue and amounted to \$10,889,937 and \$10,440,498 for 2000 and 1999.

Effective January 17, 2001, the FAA approved the Authority's amended use approval to \$89,838,803. This amendment also increases the Authority's collection level from \$3 to \$4.50 per enplaned passenger, effective April 1, 2001, for construction of certain airport improvements.

## INDIANAPOLIS AIRPORT AUTHORITY

### Notes to Financial Statements

#### Rental Income

All leases wherein the Authority is the lessor are accounted for as operating leases. Rental income is generally recognized as it becomes receivable over the respective lease terms. The Authority has some leases which provide for waived rent during the initial period of the lease term and/or rental escalations throughout the lease term. In accordance with GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, the related rental income for these leases, if significant, is reported using the straight-line method rather than using the terms of the lease agreements.

#### Interest Rate Swaps

The Authority has entered into interest rate swap agreements for the purpose of managing interest rate exposure. As these agreements become effective, they are recorded using the settlement method of accounting, meaning interest expense is recognized as incurred.

#### Budgetary Information

The Authority is not legally required to report on the budgetary basis each year. Annual budgets are adopted and prepared on the accrual basis. Since there is no legal requirement for the Authority to report on the budgetary basis, budgetary information is not disclosed in the accompanying financial statements.

#### Reclassifications

Certain information for 1999 has been reclassified to conform with the current year presentation.

#### Note 2 — Cash, Cash Equivalents and Investment Securities

Cash, cash equivalents and investment securities included in the balance sheet are classified as follows:

December 31	2000	1999
Cash and cash equivalents		
Current	\$ 15,123,372	\$ 12,541,192
Restricted	80,629,154	44,633,642
	<u>95,752,526</u>	<u>57,174,834</u>
Investment securities		
Restricted	39,857,251	66,558,948
	<u>\$135,609,777</u>	<u>\$123,733,782</u>

Indiana statutes authorize the Authority to invest in United States obligations and issues of federal agencies, secured repurchase agreements, certificates of deposit, money market deposit accounts, passbook savings accounts and negotiable order of withdrawal (NOW) accounts. The Authority has investments (e.g., commercial paper) and deposits held in trust in connection with Special Facility debt obligations. These investments and deposits are not public funds and are therefore not governed by these statutes. However, these investments must comply with the requirements of the trust indentures for each respective debt obligation.

# INDIANAPOLIS AIRPORT AUTHORITY

## Notes to Financial Statements

The carrying amount of deposits and investment securities by type of investment are:

<b>December 31</b>	<b>2000</b>	<b>1999</b>
Cash deposits and cash on hand	\$ 38,829	\$ 88,004
Certificates of deposit		2,000,000
Total deposits	<b>38,829</b>	<b>2,088,004</b>
Repurchase agreements	<b>19,432,580</b>	9,187,285
U. S. Government and Government Agency obligations	<b>37,555,866</b>	41,267,302
Commercial paper and other	<b>78,582,502</b>	71,191,191
Total investment securities	<b>135,570,948</b>	<b>121,645,778</b>
	<b>\$135,609,777</b>	<b>\$123,733,782</b>

The Authority's cash deposits are insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC). Any cash deposits in excess of the \$100,000 FDIC limits are insured by the Indiana Public Deposits Insurance Fund. The Indiana Public Deposits Insurance Fund is a multiple financial institution collateral pool as provided under Indiana Code, Section 5-13-12-1. This Fund conforms with the requirements of GASB Statement No. 3, paragraph 11, which describes criteria for determining whether deposits are fully insured.

The Authority's investments are categorized to give an indication of the level of risk assumed. Category 1 includes investments that are insured or registered, or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the Authority's name.

<b>December 31</b>	<b>2000</b>			<b>Carrying Value</b>
	<b>1</b>	<b>Category 2</b>	<b>3</b>	
Repurchase agreements, secured by U. S. Government and Government Agency obligations		\$19,432,580		\$ 19,432,580
U. S. Government and Government Agency obligations		3,698,000	\$33,857,866	37,555,866
Commercial paper		44,869,629		44,869,629
	\$0	\$68,000,209	\$33,857,866	101,858,075
Open-end mutual funds				33,712,873
Total investment securities				<b>\$135,570,948</b>

**INDIANAPOLIS AIRPORT AUTHORITY**  
**Notes to Financial Statements**

December 31	1999			Carrying Value
	Category			
	1	2	3	
Repurchase agreements, secured by U. S. Government and Government Agency obligations		\$ 9,187,285		\$ 9,187,285
U. S. Government and Government Agency obligations		20,271,955	\$20,995,347	41,267,302
Commercial paper		39,201,596		39,201,596
	\$0	\$68,660,836	\$20,995,347	89,656,183
Open-end mutual funds				31,989,595
Total investment securities				\$121,645,778

**Note 3 — Restricted Assets**

**Cash, Cash Equivalents and Investment Securities**

Cash, cash equivalents and investment securities are restricted as follows:

December 31	2000	1999
Revenue Bond Interest and Principal Fund	\$ 11,541,026	\$ 5,387,574
Revenue Bond Reserve Fund	25,559,481	25,382,153
Operation and Maintenance Reserve Fund	8,745,504	8,646,377
Renewal and Replacement Fund	1,080,657	1,075,573
Capital Improvement Fund	28,372,321	9,426,441
Passenger Facility Charge Fund	7,421	580,998
Construction Fund—Commercial Paper Issuance	244,053	8,158,796
Construction Fund—United Special Facility Revenue Bonds	44,914,050	52,497,040
Construction Fund—FedEx Special Facility Revenue Bonds	21,854	4,189
Bond Fund—Refunding FedEx Special Facility Bonds	38	16,869
General Obligation Bond Interest and Principal Fund		15,463
General Obligation Bond Reserve Fund		1,117
	<b>\$120,486,405</b>	<b>\$111,192,590</b>

The Bond Ordinance adopted on November 4, 1985 in conjunction with the issuance of the Revenue Bonds of 1985 and certain supplemental ordinances adopted thereafter (collectively, the Master Ordinance) provide, among other things, that certain accounting procedures be followed and certain funds be established. Brief descriptions of these funds follow.



## INDIANAPOLIS AIRPORT AUTHORITY

### Notes to Financial Statements

Assets included in the Bond Funds, the Bond Interest and Principal Funds and the Bond Reserve Funds are used for the payment of bond principal, interest and redemption premiums, as well as any amounts due under Qualified Derivative Agreements (as defined under the Ordinance) entered into with regard to any of the Authority's Revenue Bonds. The Subordinate Securities Interest and Principal Fund and Subordinate Securities Reserve Fund are used to pay principal, interest, and redemption premiums on any securities secured in whole or in part by liens on the Net Revenues of the Authority that are junior and subordinate to the lien on Net Revenues securing payment of the Revenue Bonds and to pay amounts due under certain derivative agreements. The Operation and Maintenance Reserve Fund must be maintained at a balance at least equal to one-third of the Authority's current operating budget as a reserve for payment of operation and maintenance expenses. Assets of the Renewal and Replacement Fund are used to pay extraordinary costs of replacing depreciable property and equipment and/or making extraordinary repairs, replacements, or renovations to the airport system. The Capital Improvement Fund can be used for any lawful airport system purpose, including payment for capital improvements and land acquisition. The Construction Funds are used to pay the project costs for each respective debt issuance. Arbitrage Rebate Funds accumulate monies sufficient to provide for the payment of amounts owed to the United States of America pursuant to Section 148 of the Internal Revenue Code.

Deposits into the Airport System Fund are disbursed in accordance with the Authority's annual budget to provide for current operation and maintenance expenses. Such deposits are also used to replenish balances in other funds to their required levels under the Ordinance.

Funds not used for these purposes are transferred into a Prepaid Airline Revenue Fund and used as a credit against the rentals and fees to be paid by signatory airlines in subsequent years. Balances included in the Airport System Fund and Prepaid Airline Revenue Fund are classified in current assets in the accompanying balance sheet.

The Authority's Passenger Facility Charge Fund provides for the segregation of PFC receipts, as required by the FAA. Such revenues are to be expended only for allowable capital projects, or to repay debt issued for allowable capital projects, under a Record of Decision granted by the FAA.

#### Grants Receivable/Payable

Grants receivable from government agencies represent federal and state participation in costs incurred on certain airport construction projects. From time to time, the Authority disposes of land or other assets which were originally purchased with federal assistance. In accordance with the Airport Improvement Program (AIP), the Authority must reinvest the federal government's proportionate share of the proceeds realized from the sale or exchange of such assets in approved AIP projects or return such amounts to the federal government. The Authority records a payable to the FAA in these instances.

<b>December 31</b>	<b>2000</b>	<b>1999</b>
Receivable		
State of Indiana	<b>\$ 96,794</b>	\$ 18,144
Federal Aviation Administration	<b>164,003</b>	295,628
	<b><u>\$260,797</u></b>	<b><u>\$313,772</u></b>

The maximum amount of federal and state participation available for eligible continuing projects during 2000 totaled approximately \$25,800,000. At December 31, 2000, a cumulative total of approximately \$23,100,000 has been claimed against these grant commitments.

**INDIANAPOLIS AIRPORT AUTHORITY**  
**Notes to Financial Statements**

**Note 4 — Property and Equipment**

Property and equipment consists of:

<b>December 31</b>	<b>2000</b>	<b>1999</b>
Land and land improvements	\$ 232,126,759	\$ 221,453,781
Buildings	909,342,042	890,577,424
Runways and other airport infrastructure	339,635,615	336,325,259
Equipment, furniture and fixtures, and other	82,098,943	64,595,968
	<u>1,563,203,359</u>	<u>1,512,952,432</u>
Accumulated depreciation	(417,544,300)	(366,951,119)
	<u>1,145,659,059</u>	<u>1,146,001,313</u>
Construction in progress	9,415,863	31,319,957
	<u><u>\$1,155,074,922</u></u>	<u><u>\$1,177,321,270</u></u>

**Note 5 — Benefit Plan**

BAA maintains a 401(k) defined-contribution plan administered by Met Life for the benefit of substantially all of its employees which allows for both employee and employer contributions. Employer contributions are eight percent of eligible compensation. In accordance with the BAA Management Contract, these expenses are paid by the Authority. Contributions to the plan were approximately \$743,000 for 2000 and \$679,000 for 1999.

**Note 6 — Bank Credit Facilities and Interest Rate Swap Agreement**

During 2000 and 1999, the Authority was a party to two bank credit facilities.

The first credit facility is a term loan credit facility for \$10,150,000, expiring on December 31, 2002. At December 31, 2000 and 1999, \$9,700,000 was borrowed and outstanding under this facility.

The second credit facility is a term loan credit facility with a group of four banks for \$10,000,000, expiring on June 30, 2001. During 2000, this credit facility was cancelled upon payment of the total outstanding balance of \$10,000,000.

## INDIANAPOLIS AIRPORT AUTHORITY

### Notes to Financial Statements

These credit facilities were obtained as part of an economic incentive program to retain American Trans Air Inc.'s corporate headquarters and maintenance operations in Indianapolis. At December 31, 2000, the variable interest rate in effect on the remaining credit facility was 6.52%. However, the facility was subject to an interest rate swap agreement which fixed the interest rate at 6.23%. The facility is payable from and secured by a lien on Net Revenues of the airport system. This lien is junior and subordinate to the lien of the Authority's revenue bonds.

The aforementioned interest rate swap agreement was terminated in 2000 upon payment in full of the credit facility. The Authority received \$20,000 as a swap termination fee.

#### Note 7 — Bonds Payable and Other Debt

Bonds and other debt include Special Facility Revenue Bonds. Special Facility Revenue Bonds are obligations of the Authority payable from and secured by a pledge of lease-rental payments to be received by the Authority from the issuers of these bonds and are not payable from any other funds of the Authority. Since the related assets are constructed on property owned by the Authority, there will not be a transfer of ownership of the property to the related lessees.

Bonds and other debt outstanding consist of:

December 31	2000	1999
Special Facility Refunding Revenue Bonds, Series 1998 (FedEx Corporation)		
Term bonds, maturing in aggregate, May 1, 2029. Interest at 5.50%, due semiannually on May 1 and November 1	\$ 23,425,000	\$ 23,425,000
Deferred loss on refunding	(1,244,975)	(1,288,915)
Unamortized discount	(391,588)	(405,409)
	<u>21,788,437</u>	<u>21,730,676</u>
Special Facility Revenue Bonds, Series 1995A (United Air Lines, Inc.)		
Term bonds, maturing in aggregate, November 15, 2031. Interest at 6.50%, due semiannually on May 15 and November 15	220,705,000	220,705,000
Unamortized discount	(7,923,934)	(7,997,297)
	<u>212,781,066</u>	<u>212,707,703</u>
Special Facility Revenue Bonds, Series 1994 (FedEx Corporation)		
Term bonds, maturing in aggregate, January 15, 2017. Interest at 7.10%, due semiannually on January 15 and July 15	237,755,000	237,755,000
Unamortized discount	(1,779,918)	(1,837,410)
	<u>235,975,082</u>	<u>235,917,590</u>
Total special facility revenue bonds	<u>470,544,585</u>	<u>470,355,969</u>

# INDIANAPOLIS AIRPORT AUTHORITY

## Notes to Financial Statements

December 31	2000	1999
(continued)		
Refunding Revenue Bonds, Series 1998A		
Serial bonds, maturing July 1, 2001 to July 1, 2005 in payments from \$10,790,000 in 2001 to \$15,285,000 in 2005. Interest at 4.50% to 5.25%, due semiannually on January and July 1	\$ 67,545,000	\$ 77,860,000
Deferred loss on refunding	(6,015,857)	( 8,808,984)
Unamortized Premium	899,102	1,206,521
	<u>62,428,245</u>	<u>70,257,537</u>
Refunding Revenue Bonds, Series 1996A		
Serial bonds, maturing July 1, 2001 to July 1, 2009. Interest at 5.00% to 6.00%, due semiannually on January 1 and July 1	28,200,000	30,610,000
Term bonds, maturing July 1, 2010 to July 1, 2015. Interest at 5.60%, due semiannually on January 1 and July 1	<u>27,865,000</u>	<u>27,865,000</u>
	56,065,000	58,475,000
Deferred loss on refunding	(5,821,207)	(6,460,172)
Unamortized discount	(526,321)	(584,092)
	<u>49,717,472</u>	<u>51,430,736</u>
Revenue Bonds of 1993		
Serial bonds, maturing January 1, 2001 to January 1, 2006. Interest at 5.10% to 5.60%, due semiannually on January 1 and July 1	7,135,000	7,135,000
Term bonds, maturing January 1, 2007 to January 1, 2023. Interest at 5.75% to 6.00%, due semiannually on January 1 and July 1	<u>39,850,000</u>	<u>39,850,000</u>
	46,985,000	46,985,000
Unamortized discount	(506,246)	(528,315)
	<u>46,478,754</u>	<u>46,456,685</u>
Total revenue bonds	<u>158,624,471</u>	<u>168,144,958</u>
Other Debt		
Obligations under capital lease	313,058,235	322,612,735
Commercial paper	24,000,000	27,000,000
Credit facilities	<u>9,700,000</u>	<u>19,700,000</u>
	<u>346,758,235</u>	<u>369,312,735</u>
Total bonds payable and other debt	975,927,291	1,007,813,662
Current portion	<u>(49,212,419)</u>	<u>(49,279,500)</u>
	<u>\$926,714,872</u>	<u>\$958,534,162</u>

## **INDIANAPOLIS AIRPORT AUTHORITY**

### **Notes to Financial Statements**

#### **Special Facility Bonds**

The Special Facility Revenue Bonds, Series 1994, 1995A and 1998 (collectively, the Special Facility Revenue Bonds) are subject to optional redemption at various dates beginning in July 1997 at amounts up to 102% of the principal amount and declining to par at various dates beginning in July 2001.

The Series 1994 Special Facility Revenue Bonds maturing on January 15, 2017 (the 2017 Term Bonds), are subject to redemption from mandatory sinking fund payments generally upon the transfer of excess monies remaining after completion of the Special Facilities, upon the termination of the lease agreement, or upon the occurrence of an event which would affect the exclusion from gross income of the interest on the Series 1994 Special Facility Revenue Bonds.

The Series 1995 Special Facility Revenue Bonds maturing on November 15, 2031 (the 2031 Term Bonds) are subject to redemption from mandatory sinking fund payments only upon the occurrence of an event which would affect the exclusion from gross income of the interest on the Series 1995 Special Facility Revenue Bonds.

The Series 1998 Special Facility Refunding Revenue Bonds maturing on May 1, 2029 (the 2029 Term Bonds) are subject to redemption from mandatory redemption upon the occurrence of an event which would affect the exclusion from gross income of the interest of the Series 1998 Special Facility Refunding Revenue Bonds.

#### **Revenue Bonds and Commercial Paper**

The Revenue Bonds, Series 1993, 1996A and 1998A (collectively, the Revenue Bonds) are subject to optional redemption by the Authority at various dates beginning in January 2003 at amounts up to 102% of the principal amount and declining to par at various dates beginning in January 2005.

The 1996 Refunding Revenue Bonds, maturing on July 1, 2015 (the 2015 Term Bonds) are subject to redemption from mandatory sinking fund payments during the periods 2010 to 2015.

The 1993 Revenue Bonds maturing on January 1, 2008 (the 2008 Term Bonds), January 1, 2013 (the 2013 Term Bonds) and January 1, 2023 (the 2023 Term Bonds) are subject to redemption from mandatory sinking fund payments during the periods 2007 to 2008, 2009 to 2013 and 2014 to 2023, respectively.

In accordance with the Master Ordinance, the Revenue Bonds are payable from and secured by a lien on the Net Revenues of the airport system. Rates and fees charged by the Authority for the use of its facilities must be sufficient to provide annual Net Revenues to equal the larger of: (a) all amounts required to be deposited to the credit of the Revenue Bond Interest and Principal Fund, the Revenue Bond Reserve Fund, the General Obligation Bond Interest and Principal Fund, the General Obligation Bond Reserve Fund, the Operation and Maintenance Reserve Fund and the Renewal and Replacement Fund; or (b) an amount not less than 125% of the Debt Service Requirement for any Revenue Bonds, plus 110% of the Debt Service Requirement for any Subordinate Securities, plus 100% of the Debt Service Requirement for any General Obligation Bonds. This requirement (the Rate Covenant) was met for 2000 and 1999.

## INDIANAPOLIS AIRPORT AUTHORITY

### Notes to Financial Statements

During 1999, the Authority authorized the issuance of up to \$75,000,000 in Commercial Paper, the proceeds of which are to be used as an interim financing source for various capital projects included in the Authority's Capital Improvement Program. The Commercial Paper is a short-term promissory note that is sold in tranches with maturities ranging from 1 to 270 days. At maturity, interest is paid to the investor and the Commercial Paper is resold. To mitigate the risk of an unsuccessful remarketing, the Commercial Paper is backed by a letter of credit in the amount of \$78,260,274. The Commercial Paper is payable from and secured by a lien on Net Revenues of the airport system. This lien is junior and subordinate to the lien of the Revenue Bonds, and therefore, the Commercial Paper is considered to be a Subordinate Security as defined in the Master Ordinance. The Authority had \$24,000,000 in commercial paper outstanding at December 31, 2000, with an interest rate of 4.45%. At December 31, 1999, the Authority had \$27,000,000 in commercial paper outstanding with interest rates ranging between 3.70% and 4.10%.

Debt service requirements to maturity for all debt of the Authority, excluding its capital lease agreements, are as follows at December 31, 2000:

Years Ending December 31	Special Facility Revenue Bonds		Revenue Bonds		Commercial Paper and Credit Facility Agreements	Total
	Principal	Interest	Principal	Interest	Principal	
2001		\$32,514,805	\$14,360,000	\$9,150,575	\$24,000,000	\$80,025,380
2002		32,514,805	16,880,000	8,483,535	9,700,000	67,578,340
2003		32,514,805	17,760,000	7,635,207		57,910,012
2004		32,514,805	18,685,000	6,700,032		57,899,837
2005		32,514,805	19,650,000	5,758,527		57,923,332
Thereafter	\$481,885,000	597,395,221	83,260,000	39,834,169		1,202,374,390

#### Note 8 — Obligations Under Capital Lease

In November 1991, the Authority entered into an agreement (the MOC-II Agreement) with the State of Indiana, the City of Indianapolis, and United to provide a 300-acre site for United's Indianapolis Maintenance Center (IMC). The IMC is currently one of the largest aircraft maintenance facilities in the world. It was originally designed to meet the maintenance requirements of United's fleet of Boeing 737 aircraft. However, in 1994, United decided to significantly expand its IMC operations by maintaining its fleets of Boeing 757 and 767 aircraft at the facility and to invest approximately \$117,000,000 in such expansion.

The State, the City and Hendricks County, Indiana provided the initial funding for the IMC. The State provided \$184,500,000 from the proceeds of tax-exempt lease revenue bonds and a \$15,200,000 grant. The City provided approximately \$111,000,000 from the proceeds of tax-exempt current interest and capital appreciation bonds. Hendricks County provided \$8,000,000, in the form of a grant, from the proceeds of an economic development income tax revenue bond issue.

In accordance with its commitments under the MOC-II Agreement, the Authority has agreed to issue up to \$850 million of tax-exempt Special Facility Revenue Bonds, secured by a pledge of lease-rental payments to be received by the Authority from United. In 1995, the Authority issued Series 1995A Special Facility Bonds in the amount of \$220,705,000.

## INDIANAPOLIS AIRPORT AUTHORITY

### Notes to Financial Statements

United, in turn, has committed to construct and equip the IMC at a cost aggregating at least \$800 million by December 31, 2001, and to employ at least 7,500 full-time employees, with annual payroll and benefits aggregating at least a quarter billion dollars, by December 31, 2004. In addition, United has agreed to provide certain reimbursements to the City and the State in the event its commitments are not fulfilled.

Concurrently with the execution of the MOC-II Agreement in 1991, the Authority entered into a tenancy in common agreement and various lease agreements which created certain leasehold interests in the IMC site and facilities and provided the framework for financing the costs of its construction. Accordingly, the Authority's leases with the State and the City for the IMC and its lease with the State for a building and related equipment ancillary to IMC, the Aviation Technology Center (ATC), have been reflected as capital lease obligations in these financial statements. The leases expire at various dates between 2016 and 2018. The approximate gross amounts of property and equipment and related accumulated amortization recorded under these capital leases follow:

<b>December 31</b>	<b>2000</b>	<b>1999</b>
Property and equipment	<b>\$352,111,077</b>	\$352,111,077
Accumulated amortization	<b>(59,458,795)</b>	(49,818,905)
	<b><u>\$292,652,282</u></b>	<u>\$302,292,172</u>

Amortization of assets held under capital leases is included with depreciation expense.

The present value of future minimum capital lease payments follows:

<b>Years Ending December 31</b>	
2001	\$ 30,761,565
2002	31,511,411
2003	31,945,624
2004	32,274,744
2005	32,170,098
Thereafter	<u>350,204,070</u>
Total minimum lease payments	508,867,512
Amounts representing interest	<u>(195,809,277)</u>
Present value of net minimum capital lease payments	<u><u>\$313,058,235</u></u>

## INDIANAPOLIS AIRPORT AUTHORITY

### Notes to Financial Statements

The Authority's capital lease payments to the State are payable solely from monies to be appropriated by the Indiana General Assembly, the governing body for the State. There is no requirement that these amounts be appropriated. However, the Authority cannot be held liable, should an appropriation not be made, for the State's debt obligations relative to the IMC and ATC facilities. Assuming appropriations from the General Assembly continue, the Authority expects to receive the following future amounts to fund its capital lease obligations with the State:

#### **Years Ending December 31**

2001	\$ 20,483,421
2002	20,883,611
2003	21,287,228
2004	21,687,645
2005	22,102,240
Thereafter	<u>246,843,855</u>
	<u><u>\$353,288,000</u></u>

The Authority's capital lease payments to the City are secured by an irrevocable pledge of a distributive share of Marion County Option Income Taxes (the Pledged Revenues). The City-County Council has covenanted not to repeal or rescind this tax as long as such rentals remain due. The Authority is not obligated for the debt incurred by the City with regard to the IMC facilities. Future Pledged Revenues to be received by the Authority to fund its capital lease obligation with the City follow:

#### **Years Ending December 31**

2001	\$ 12,523,115
2002	13,149,732
2003	13,745,355
2004	14,230,073
2005	14,228,495
Thereafter	<u>156,376,262</u>
	<u><u>\$224,253,032</u></u>

### **Note 9 — Risk Management**

Effective October 1, 1995, BAA assumed the responsibility of providing self-insured health care benefits for former Authority employees and all others it has hired. BAA continues to maintain substantially the same coverage as provided previously by the Authority. The health care plan provides for annual aggregate coverage up to a maximum of \$1,000,000, as well as an individual annual limit of \$50,000. As required by the BAA Management Contract, the Authority pays BAA for all costs associated with providing health care benefits to its employees.



## INDIANAPOLIS AIRPORT AUTHORITY

### Notes to Financial Statements

Detail of the health insurance claims liability, based upon the requirements of GASB Statement No. 10, is provided below. This Statement requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the liability can be reasonably estimated. The liability is estimated based upon historical experience. There is no significant incremental claim adjustment expense, salvage or subrogation attributable to this liability.

	Balance Beginning of Year	Current Year Claims and Changes In Estimates	Claim Payments	Balance End of Year
2000	\$142,753	\$636,750	\$(627,990)	\$151,513
1999	\$156,869	\$667,134	\$(681,250)	\$142,753

Risk management is the responsibility of BAA under the BAA Management Contract with the Authority. The Authority is exposed to various risks of loss related to theft of, damage to and destruction of assets, torts, and natural disasters for which commercial insurance is carried. All costs for insurance are paid to BAA by the Authority.

There were no reductions in insurance coverage during 2000 and settlements have not exceeded insurance coverage for the past three years.

#### Note 10 — Equity

Changes in grants and contributions are summarized as follows:

	Federal Government	State and Local Governments IMC	Other	Lessees and Other	Total
<b>Balances, January 1, 1999</b>	\$142,606,432	\$25,725,616	\$10,103,681	\$10,773,665	\$189,209,394
<b>Additions (Deductions)—1999</b>					
Grants for specific projects, net	12,966,593		127,430		13,094,023
Contributions—lessees and other				1,804,686	1,804,686
Depreciation of property and equipment acquired with federal and state grants	(6,955,711)		(160,878)	(17,301)	(7,133,890)
<b>Balances, December 31, 1999</b>	148,617,314	25,725,616	10,070,233	12,561,050	196,974,213
<b>Additions (Deductions)—2000</b>					
Grants for specific projects, net	10,852,796		119,609		10,972,405
Contributions—lessees and other				35,639	35,639
Depreciation of property and equipment acquired with federal and state grants	(7,737,563)		(135,470)	(26,896)	(7,899,929)
<b>Balances, December 31, 2000</b>	\$151,732,547	\$25,725,616	\$10,054,372	\$12,569,793	\$200,082,328

## INDIANAPOLIS AIRPORT AUTHORITY

## Notes to Financial Statements

Under provisions of the Revenue Bond Ordinances, certain funds have been established to provide bondholders a degree of security against certain contingencies. Retained earnings of \$9,947,409 at December 31, 2000 and \$9,845,649 at December 31, 1999, were reserved for operations and maintenance expenses, along with renewal and replacement of property and equipment, as detailed below:

<b>December 31</b>	<b>2000</b>	<b>1999</b>
Operation and maintenance	<b>\$8,838,731</b>	\$8,767,593
Renewal and replacement	<b>1,108,678</b>	1,078,056
	<b><u>\$9,947,409</u></b>	<b><u>\$9,845,649</u></b>

### Note 11 — Rental Income From Operating Leases

The Authority leases space in the Indianapolis International Airport terminal along with other land and buildings on a fixed fee as well as a contingent rental basis. Many of the leases provide for a periodic review and redetermination of the rental amounts. Substantially all of the assets classified under property and equipment in the balance sheet are held by the Authority for the purpose of rental or related use.

Minimum future rentals on noncancelable leases to be received in each of the next five years and thereafter are as follows:

<b>Years Ending December 31</b>	<b>Special Facility Debt Service Rentals</b>	<b>Other Operating Lease Rentals</b>	<b>Total</b>
2001	\$ 32,514,805	\$ 30,052,613	\$ 62,567,418
2002	32,514,805	7,592,402	40,107,207
2003	32,514,805	6,692,259	39,207,064
2004	32,514,805	6,088,786	38,603,591
2005	32,514,805	5,352,838	37,867,643
Thereafter	1,079,280,221	58,058,034	1,137,338,255
	<b><u>\$1,241,854,246</u></b>	<b><u>\$113,836,932</u></b>	<b><u>\$1,355,691,178</u></b>

The Authority has entered into an Agreement and Lease of Premises with certain passenger, charter, and cargo airlines serving the airport, which are collectively referred to as the Signatory Airlines. The Agreements expired on December 31, 2000 and the airlines are currently operating under rates set by ordinance for 2001. Negotiations are being finalized to establish a new Agreement and Lease of Premises with the airlines to become effective in 2001. Rental rates under these agreements are redetermined annually. The table above reflects rental rates that were in effect on December 31, 2000.

Contingent rentals and fees aggregated approximately \$24,000,000 in 2000 and \$20,000,000 in 1999.

## **INDIANAPOLIS AIRPORT AUTHORITY**

### **Notes to Financial Statements**

#### **Note 12 — Commitments and Contingencies**

##### **Land Acquisition**

Pursuant to an Airport Noise and Land Use Compatibility Study (Study) adopted in 1987, the Authority has implemented a program of land acquisition (the Guaranteed Purchase Program) in order to mitigate the effects of its operations on neighboring areas. New runways were completed in 1990 and 1995. Certain areas surrounding the airport were impacted by noise as these new runways became operational. As a result, a program of land use management measures was adopted, as recommended by the Study, which included the acquisition of aviation easements, development rights, and residential dwellings located in the noise-impacted areas. The Authority spent approximately \$28,000,000 under this program (Phase I) to acquire 260 homes. Of this \$28,000,000, approximately \$23,000,000 was eligible for 80% reimbursement from the FAA.

In 1991, the Authority updated the 1987 Noise and Land Use Compatibility Study and final recommendations were adopted by the Authority Board in April 1992. The recommendations included expanding the Guaranteed Purchase Program to add approximately 750 more homes at an estimated cost of \$75,000,000. Implementation began in the fall of 1992 and will take an estimated ten years to complete. As of December 31, 2000, the Authority has spent approximately \$92,000,000 including relocation costs under this program (Phase II), substantially all of which was eligible for 80% reimbursement from the FAA.

A second update and five-year review of the Authority's noise compatibility program (Phase III) began in 1996. Final recommendations were adopted by the Authority Board in February 1998, followed by FAA approval in October 1998. The recommendations include continuation of the Guaranteed Purchase Program with respect to approximately 132 homes. In addition, approximately 381 homes are eligible for the new Sound Insulation & Purchase Assurance Programs. The Sound Insulation Program simply pays for a home within the impacted noise area to be sound insulated with respect to doors, window treatments, etc., with no further cash outlay required by the Authority. Under the Purchase Assurance Program, the Authority will purchase the property, sound insulate the home and then resell the property on the open market. Participation in either the Sound Insulation or Purchase Assurance programs requires the homeowner to grant an aviation easement in favor of the Authority. A third program, Sales Assistance, is available to approximately 941 homes. Sales Assistance consists of a benefit payment to homeowners adjacent to the 65DNL noise contour. The benefit payment is equal to 10% of the contract sales price between the homeowner and third party buyer, in exchange for the inclusion of a Noise Disclosure Statement in the deed of conveyance. The estimated cost of the Phase III programs approximate \$60.2 million. These programs, excluding Sales Assistance, are eligible for reimbursement from passenger facility charges and FAA noise grants (at 80% reimbursement). As of December 31, 2000, the Authority has spent approximately \$22,700,000 in conjunction with these programs

##### **Environmental Mitigation**

In order to comply with environmental laws, the Authority implemented a natural resource mitigation program in 1992 to create, monitor and maintain wetlands along with habitats for the endangered Indiana bat. These are intended to replace those areas that were removed by construction of the United IMC facility and the new runway, 5L-23R. As of December 31, 2000, the Authority has acquired approximately 1,500 acres and spent approximately \$17,800,000 under this program, of which 28% is eligible for reimbursement from the FAA. The Authority will continue to maintain and monitor interim bat habitats under this program through the year 2007, and must thereafter maintain the wetlands and certain associated summer bat habitat, comprising approximately 800 acres, in perpetuity, or until control over such areas can be transferred to other responsible parties.

## **INDIANAPOLIS AIRPORT AUTHORITY**

### **Notes to Financial Statements**

#### **Capital Improvements**

As of December 31, 2000, the Authority was obligated for completion of certain airport improvements under commitments of approximately \$10,000,000 of which an estimated \$4,750,000 is eligible for partial reimbursement from the FAA.

The Authority has announced its intent to build a new passenger terminal, which will be located between the two parallel runways at Indianapolis International Airport. The concept of a midfield terminal has been incorporated into the Airport's long-term master planning since 1975, when the terminal was first included in the Master Plan. At this time, estimated costs for the midfield terminal project are \$808,000,000 and the terminal is anticipated to open in July of 2007.

#### **Payment in Lieu of Taxes**

In September of 2000, the City-County Council passed a 2001 budget that includes one-time payments from the Capital Improvement Board of Managers (of Marion County, Indiana) and the Indianapolis Airport Authority. Therefore, the Authority's 2001 budget contains provisions for the payment of \$9,300,000 to the City of Indianapolis. The Authority passed its 2001 budget contingent upon the approval by the Federal Aviation Administration of the one-time payment.

#### **Compensation to BAA**

In 2000, the Authority recognized \$2,417,136 for Year 5 compensation expense to BAA, which the Authority believes is the amount it is obligated to pay. There is a potential for additional compensation to BAA of up to \$263,770 which may result from the parties' continuing review of the Authority's operating results. Any adjustments mutually agreed to between the parties would be accrued and paid in 2001 or later.

#### **Litigation**

The nature of the business of the airport generates certain litigation against the Authority arising in the ordinary course of business. However, the Authority believes that the ultimate outcome of these matters, in the aggregate, should not have a materially adverse effect on its financial position or results of operations.

## **Supplementary Information**

**INDIANAPOLIS AIRPORT AUTHORITY**  
**Schedule of Balance Sheet Information**

	2000				
		United Air Lines IMC <sup>(1)</sup>	FedEx Sort Facility <sup>(1)</sup>	FedEx Hangar Facility <sup>(1)</sup>	
December 31	Authority				Total
Assets					
Current Assets					
Cash and cash equivalents	\$ 15,123,372				\$ 15,123,372
Accounts receivable, net	2,888,766				2,888,766
Unbilled revenues	2,167,539				2,167,539
Supplies and materials inventories	992,892				992,892
Other current assets	147,253				147,253
Total current assets	21,319,822				21,319,822
Restricted Assets					
Cash and cash equivalents	59,055,714	\$ 21,551,585	\$ 4,358	\$ 17,497	80,629,154
Investment securities	16,494,786	23,362,465			39,857,251
Accrued interest receivable	165,522				165,522
Grants receivable	260,797				260,797
Receivable—passenger facility charges	1,507,785				1,507,785
Receivable—State of Indiana	319,486	3,109,168			3,428,654
Accrued debt service rentals		11,243,915	41,868,910	1,048,552	54,161,377
Total restricted assets	77,804,090	59,267,133	41,873,268	1,066,049	180,010,540
Property and Equipment	464,813,970	467,363,468	204,961,360	17,936,124	1,155,074,922
Other Assets					
Rent receivable	2,465,439				2,465,439
Bond issue and loan administration costs, net	2,565,605	1,274,317	1,895,028	360,851	6,095,801
	5,031,044	1,274,317	1,895,028	360,851	8,561,240
Total assets	\$568,968,926	\$527,904,918	\$248,729,656	\$19,363,024	\$1,364,966,524

(1) Columns reflect the carrying value of the facility and related financing transactions only.

December 31	2000				
	Authority	United Air Lines IMC <sup>(1)</sup>	FedEx Sort Facility <sup>(1)</sup>	FedEx Hangar Facility <sup>(1)</sup>	Total
<b>Liabilities and Equity</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 839,557				\$ 839,557
Accounts payable—BAA	284,007				284,007
Accrued and withheld items	1,794,233				1,794,233
Total current liabilities	2,917,797				2,917,797
<b>Liabilities Payable From Restricted Assets</b>					
Accounts payable	2,592,987	\$ 1,475,908			4,068,895
Current portion of debt	38,365,943	10,846,476			49,212,419
Accrued interest on debt	4,959,958	3,796,435	\$ 7,736,944	\$ 214,729	16,708,066
Total liabilities payable from restricted assets	45,918,888	16,118,819	7,736,944	214,729	69,989,380
<b>Bonds Payable and Other Debt</b>	162,744,847	506,206,506	235,975,082	21,788,437	926,714,872
<b>Other Long-Term Liabilities</b>					
Deferred income—lessee financed improvements and other	10,946,526				10,946,526
Accrued sick leave	37,496				37,496
	10,984,022				10,984,022
Total liabilities	222,565,554	522,325,325	243,712,026	22,003,166	1,010,606,071
<b>Equity</b>					
Grants and contributions	174,356,712	25,725,616			200,082,328
Retained earnings					
Reserved	9,947,409				9,947,409
Unreserved	162,099,251	(20,146,023)	5,017,630	(2,640,142)	144,330,716
	172,046,660	(20,146,023)	5,017,630	(2,640,142)	154,278,125
Total equity	346,403,372	5,579,593	5,017,630	(2,640,142)	354,360,453
Total liabilities and equity	\$568,968,926	\$527,904,918	\$248,729,656	\$19,363,024	\$1,364,966,524

# INDIANAPOLIS AIRPORT AUTHORITY

## Schedule of Balance Sheet Information

December 31	1999				
	Authority	United Air Lines IMC <sup>(1)</sup>	FedEx Sort Facility <sup>(1)</sup>	FedEx Hangar Facility <sup>(1)</sup>	Total
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 12,541,192				\$ 12,541,192
Receivable from BAA	2,362,004				2,362,004
Accounts receivable, net	3,438,685				3,438,685
Unbilled revenues	1,851,577				1,851,577
Supplies and materials inventories	849,064				849,064
Other current assets	93,115				93,115
Total current assets	21,135,637				21,135,637
<b>Restricted Assets</b>					
Cash and cash equivalents	44,326,027	\$ 286,557	\$ 4,189	\$ 16,869	44,633,642
Investment securities	14,348,465	52,210,483			66,558,948
Accrued interest receivable	103,116	375,941			479,057
Grants receivable	313,772				313,772
Receivable—passenger facility charges	1,074,829				1,074,829
Receivable—State of Indiana	318,318	3,068,221			3,386,539
Accrued debt service rentals		9,272,568	35,467,335	721,823	45,461,726
Total restricted assets	60,484,527	65,213,770	35,471,524	738,692	161,908,513
<b>Property and Equipment</b>	472,208,022	473,304,293	213,285,340	18,523,615	1,177,321,270
<b>Other Assets</b>					
Rent receivable	2,342,737				2,342,737
Bond issue and loan administration costs, net	2,954,415	1,275,096	1,956,247	374,155	6,559,913
	5,297,152	1,275,096	1,956,247	374,155	8,902,650
<b>Total assets</b>	<b>\$559,125,338</b>	<b>\$539,793,159</b>	<b>\$250,713,111</b>	<b>\$19,636,462</b>	<b>\$1,369,268,070</b>

(1) Columns reflect the carrying value of the facility and related financing transactions only.



December 31	1999				
	Authority	United Air Lines IMC <sup>(1)</sup>	FedEx Sort Facility <sup>(1)</sup>	FedEx Hangar Facility <sup>(1)</sup>	Total
<b>Liabilities and Equity</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 941,315				\$ 941,315
Accounts payable—BAA	251,428				251,428
Accrued and withheld items	1,609,772				1,609,772
Total current liabilities	2,802,515				2,802,515
<b>Liabilities Payable From Restricted Assets</b>					
Accounts payable	2,976,179	\$ 1,870,583			4,846,762
Current portion of debt	39,725,000	9,554,500			49,279,500
Accrued interest on debt	534,984	3,852,679	\$ 7,736,944	\$ 214,729	12,339,336
Total liabilities payable from restricted assets	43,236,163	15,277,762	7,736,944	214,729	66,465,598
<b>Bonds Payable and Other Debt</b>	184,180,088	516,705,808	235,917,590	21,730,676	958,534,162
<b>Other Long-Term Liabilities</b>					
Deferred income—lessee financed improvements and other	12,095,351				12,095,351
Accrued sick leave	21,458				21,458
	12,116,809				12,116,809
Total liabilities	242,335,575	531,983,570	243,654,534	21,945,405	1,039,919,084
<b>Equity</b>					
Grants and contributions	171,248,597	25,725,616			196,974,213
Retained earnings					
Reserved	9,845,649				9,845,649
Unreserved	135,695,517	(17,916,027)	7,058,577	(2,308,943)	122,529,124
	145,541,166	(17,916,027)	7,058,577	(2,308,943)	132,374,773
Total equity	316,789,763	7,809,589	7,058,577	(2,308,943)	329,348,986
Total liabilities and equity	\$559,125,338	\$539,793,159	\$250,713,111	\$19,636,462	\$1,369,268,070

**INDIANAPOLIS AIRPORT AUTHORITY**  
**Schedule of Revenues, Expenses and**  
**Changes in Retained Earnings Information**

Year Ended December 31	2000				Total
	Authority	United Air Lines IMC <sup>(1)</sup>	FedEx Sort Facility <sup>(1)</sup>	FedEx Hangar Facility <sup>(1)</sup>	
Operating Revenues					
Airfield	\$ 14,931,279				\$ 14,931,279
Terminal complex	23,347,368				23,347,368
Parking	22,652,691				22,652,691
Rented buildings and other	9,078,919	\$16,301,749	\$23,282,180	\$1,615,103	50,277,951
Reliever airports	1,421,850				1,421,850
Total operating revenues	71,432,107	16,301,749	23,282,180	1,615,103	112,631,139
Operating Expenses (including depreciation)					
Airfield	15,236,477				15,236,477
Terminal complex	10,058,735				10,058,735
Parking	5,519,136				5,519,136
Rented buildings and other	7,106,165	17,011,518	8,323,980	587,491	33,029,154
Reliever airports	2,158,476				2,158,476
Public safety	4,105,525				4,105,525
Administration	9,711,552				9,711,552
Total operating expenses	53,896,066	17,011,518	8,323,980	587,491	79,819,055
Income From Operations	17,536,041	(709,769)	14,958,200	1,027,612	32,812,084
Nonoperating Revenues (Expenses)					
State and local appropriations	825,541	28,587,775			29,413,316
Passenger facility charges	10,889,937				10,889,937
Investment income	4,528,644	3,568,244	169	668	8,097,725
Interest expense, net of capitalized interest	(14,314,172)	(33,676,246)	(16,999,316)	(1,359,479)	(66,349,213)
Loss on disposals of property and equipment and other	(860,426)				(860,426)
	1,069,524	(1,520,227)	(16,999,147)	(1,358,811)	(18,808,661)
<b>Net Income (Loss)</b>	18,605,565	(2,229,996)	(2,040,947)	(331,199)	14,003,423
Depreciation on property and equipment acquired under federal and state grants externally restricted for capital acquisitions and construction which reduces grant equity	7,899,929				7,899,929
Increase (Decrease) in Retained Earnings	26,505,494	(2,229,996)	(2,040,947)	(331,199)	21,903,352
Retained Earnings (Deficit), Beginning of Year	145,541,166	(17,916,027)	7,058,577	(2,308,943)	132,374,773
Retained Earnings (Deficit), End of Year	\$172,046,660	\$(20,146,023)	\$ 5,017,630	\$(2,640,142)	\$154,278,125

<sup>(1)</sup> Columns reflect debt service rentals less related interest expense, depreciation on the facility, and related items (amortization of bond discount and issue costs, interest income on bond funds, and trustee expenses). Ground and additional rentals are not reflected.

1999				
Authority	United Air Lines IMC <sup>(1)</sup>	FedEx Sort Facility <sup>(1)</sup>	FedEx Hangar Facility <sup>(1)</sup>	Total
\$ 12,340,383				\$ 12,340,383
21,837,063				21,837,063
20,532,511				20,532,511
8,449,781	\$16,166,196	\$22,827,779	\$1,597,848	49,041,604
1,371,215				1,371,215
64,530,953	16,166,196	22,827,779	1,597,848	105,122,776
12,866,076				12,866,076
8,616,300				8,616,300
4,374,450				4,374,450
7,216,025	18,863,063	8,313,980	587,491	34,980,559
2,436,697				2,436,697
3,272,449				3,272,449
8,558,796				8,558,796
47,340,793	18,863,063	8,313,980	587,491	75,105,327
17,190,160	(2,696,867)	14,513,799	1,010,357	30,017,449
825,541	27,911,282			28,736,823
10,440,498				10,440,498
2,564,629	2,539,487	202	757	5,105,075
(15,340,426)	(34,238,949)	(17,001,940)	(1,360,585)	(67,941,900)
(1,005,538)				(1,005,538)
(2,515,296)	(3,788,180)	(17,001,738)	(1,359,828)	(24,665,042)
14,674,864	(6,485,047)	(2,487,939)	(349,471)	5,352,407
7,133,890				7,133,890
21,808,754	(6,485,047)	(2,487,939)	(349,471)	12,486,297
123,732,412	(11,430,980)	9,546,516	(1,959,472)	119,888,476
\$145,541,166	\$(17,916,027)	\$ 7,058,577	\$(2,308,943)	\$132,374,773

**INDIANAPOLIS AIRPORT AUTHORITY**  
**Schedule of Operating Revenues**

<b>Year Ended December 31</b>	<b>2000</b>	<b>1999</b>	<b>Increase (Decrease)</b>
<b>Airfield</b>			
Landing fees—scheduled airlines	\$ 4,948,516	\$ 4,109,686	\$ 838,830
Landing fees—freight and other	5,989,891	4,533,300	1,456,591
Apron fees	3,566,058	3,360,622	205,436
Commissions—aviation fuel sales	404,103	325,922	78,181
Other	22,711	10,853	11,858
	<u>14,931,279</u>	<u>12,340,383</u>	<u>2,590,896</u>
<b>Terminal Complex</b>			
Space rental			
Airlines	10,707,216	10,857,383	(150,167)
Concessionaires	4,345,980	3,468,220	877,760
Administration building	288,510	305,742	(17,232)
Other space rental	174,873	111,503	63,370
Automobile rental commissions	6,670,145	6,189,217	480,928
Security fees	384,173	373,242	10,931
Other commissions, fees, etc.	776,471	531,756	244,715
	<u>23,347,368</u>	<u>21,837,063</u>	<u>1,510,305</u>
<b>Parking—parking operations</b>	<u>22,652,691</u>	<u>20,532,511</u>	<u>2,120,180</u>
<b>Rented Buildings and Other</b>			
Northwest quadrant rentals	19,434,064	19,458,019	(23,955)
Southeast quadrant rentals	23,387,094	22,932,692	454,402
Space rental—freight buildings	583,120	554,858	28,262
Space rental—hangars	30,600	6,417	24,183
Space rental—other buildings	1,040,361	881,807	158,554
Ground leases	4,435,428	4,006,308	429,120
Farm income	167,788	172,925	(5,137)
International building	151,763	101,775	49,988
Other	216,839	95,909	120,930
Amortization of deferred income	830,894	830,894	
	<u>50,277,951</u>	<u>49,041,604</u>	<u>1,236,347</u>
<b>Reliever Airports</b>	<u>1,421,850</u>	<u>1,371,215</u>	<u>50,635</u>
	<u>\$112,631,139</u>	<u>\$105,122,776</u>	<u>\$7,508,363</u>

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# INDIANAPOLIS AIRPORT AUTHORITY

## Schedule of Operating Expenses

Year Ended December 31	Airfield	Terminal Complex	Parking	Rented Buildings And Other	Reliever Airports
<b>Personal Services</b>					
Salaries and wages	\$ 1,288,969	\$ 2,382,027	\$1,724,171	\$ 113,654	\$ 215,587
Professional fees	3,315	279,277	9,705	28,237	20,485
Employee insurance	219,941	489,798	286,607	23,142	39,841
Retirement and social security	196,081	331,589	233,783	14,310	33,779
	1,708,306	3,482,691	2,254,266	179,343	309,692
<b>Contractual Services</b>					
Transportation and communication	30,171	57,854	9,515	4,376	14,474
Utilities	325,692	1,130,999	186,994	110,435	112,121
Printing and advertising	1,962	85,165	24,478	355	
Repairs and maintenance	300,456	518,437	113,952	15,643	44,032
Snow removal and other	109,133	320,692	446,020	89,333	99,481
BAA compensation					
Environmental mitigation	153,644				
	921,058	2,113,147	780,959	220,142	270,108
<b>Supplies</b>					
Fuel	186,573				62,610
Garage and motor	22,999	1,991	10,472		1,352
Institutional and medical	12,478	225,349	18,506		3,042
Office supplies	7,585	10,463	40,699	1,430	2,006
Snow and ice chemicals	636,679	1,025			
Other	46,000	112,202	29,388	6,525	4,910
	912,314	351,030	99,065	7,955	73,920
<b>Materials</b>					
Building	3,680	18,827	1,373		1,290
Pavement and grounds	216,531	5,968			27,825
Repair parts	286,902	54,677	126,928		7,643
Small equipment and tools	15,842	28,373	9,905		9,278
Other	106,167	10,331	1,047	8,168	5,458
	629,122	118,176	139,253	8,168	51,494
<b>General</b>					
Insurance	151,430	95,380	61,622		29,853
Equipment rental	8,610	4,456	12,060		
Other (including bad debts)	920	3,131	1,102	20	532
	160,960	102,967	74,784	20	30,385
<b>Depreciation</b>	10,904,717	3,890,724	2,170,809	32,613,526	1,422,877
	\$15,236,477	\$10,058,735	\$5,519,136	\$33,029,154	\$2,158,476

**2000**

<b>Public Safety</b>	<b>Administration</b>	<b>Total</b>	<b>Year Ended December 31, 1999</b>	<b>Increase (Decrease)</b>
\$2,666,539	\$3,422,100	\$11,813,047	\$10,669,916	\$1,143,131
16,235	994,220	1,351,474	744,797	606,677
419,153	353,845	1,832,327	1,607,456	224,871
386,072	405,687	1,601,301	1,518,512	82,789
3,487,999	5,175,852	16,598,149	14,540,681	2,057,468
71,111	543,536	731,037	827,431	(96,394)
27,476		1,893,717	1,665,325	228,392
7,098	122,674	241,732	219,443	22,289
11,150	136,955	1,140,625	840,386	300,239
28,374	115,024	1,208,057	918,668	289,389
	2,417,136	2,417,136	2,313,914	103,222
		153,644	180,604	(26,960)
145,209	3,335,325	7,785,948	6,965,771	820,177
		249,183	157,001	92,182
17,792	1,431	56,037	40,919	15,118
14,322	551	274,248	235,746	38,502
14,383	45,081	121,647	115,115	6,532
		637,704	546,254	91,450
59,805	33,265	292,095	274,492	17,603
106,302	80,328	1,630,914	1,369,527	261,387
501		25,671	33,419	(7,748)
	1,620	251,944	218,242	33,702
46,326	14,580	537,056	300,860	236,196
8,312	3,760	75,470	41,645	33,825
14,398	476	146,045	217,007	(70,962)
69,537	20,436	1,036,186	811,173	225,013
6,781	22,276	367,342	352,837	14,505
2,463	28,399	55,988	74,177	(18,189)
2,819	685,160	693,684	288,994	404,690
12,063	735,835	1,117,014	716,008	401,006
284,415	363,776	51,650,844	50,702,167	948,677
\$4,105,525	\$9,711,552	\$79,819,055	\$75,105,327	\$4,713,728

**INDIANAPOLIS AIRPORT AUTHORITY**  
**Schedule of Bond Debt Service Requirements to Maturity**  
**(As of December 31, 2000)**

December 31	Special Facility Revenue Bonds						Revenue Bonds of 1998A	
	1998		1995A		1994		Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest		
2001		\$ 1,288,375		\$ 14,345,825		\$ 16,880,605	\$10,790,000	\$ 3,357,838
2002		1,288,375		14,345,825		16,880,605	13,120,000	2,872,288
2003		1,288,375		14,345,825		16,880,605	13,815,000	2,216,288
2004		1,288,375		14,345,825		16,880,605	14,535,000	1,491,000
2005		1,288,375		14,345,825		16,880,605	15,285,000	764,250
2006		1,288,375		14,345,825		16,880,605		
2007		1,288,375		14,345,825		16,880,605		
2008		1,288,375		14,345,825		16,880,605		
2009		1,288,375		14,345,825		16,880,605		
2010		1,288,375		14,345,825		16,880,605		
2011		1,288,375		14,345,825		16,880,605		
2012		1,288,375		14,345,825		16,880,605		
2013		1,288,375		14,345,825		16,880,605		
2014		1,288,375		14,345,825		16,880,605		
2015		1,288,375		14,345,825		16,880,605		
2016		1,288,375		14,345,825		16,880,605		
2017		1,288,375		14,345,825	\$237,755,000	8,440,303		
2018		1,288,375		14,345,825				
2019		1,288,375		14,345,825				
2020		1,288,375		14,345,825				
2021		1,288,375		14,345,825				
2022		1,288,375		14,345,825				
2023		1,288,375		14,345,825				
2024		1,288,375		14,345,825				
2025		1,288,375		14,345,825				
2026		1,288,375		14,345,825				
2027		1,288,375		14,345,825				
2028		1,288,375		14,345,825				
2029	\$23,425,000	644,188		14,345,825				
2030				14,345,825				
2031			\$220,705,000	14,345,825				
	\$23,425,000	\$36,718,688	\$220,705,000	\$444,720,575	\$237,755,000	\$278,529,983	\$67,545,000	\$10,701,664



Revenue Bonds of 1996A		Revenue Bonds of 1993		Total Debt
Principal	Interest	Principal	Interest	Service
\$ 2,530,000	\$ 3,063,983	\$ 1,040,000	\$ 2,728,754	\$ 56,025,380
2,665,000	2,937,483	1,095,000	2,673,764	57,878,340
2,790,000	2,804,233	1,155,000	2,614,686	57,910,012
2,935,000	2,657,758	1,215,000	2,551,274	57,899,837
3,085,000	2,511,008	1,280,000	2,483,269	57,923,332
3,265,000	2,333,620	1,350,000	2,410,269	41,873,694
3,455,000	2,137,720	1,425,000	2,331,500	41,864,025
3,640,000	1,952,878	1,505,000	2,247,263	41,859,946
3,835,000	1,761,774	1,595,000	2,157,141	41,863,720
4,040,000	1,560,440	1,685,000	2,060,791	41,861,036
4,255,000	1,334,200	1,790,000	1,958,713	41,852,718
4,505,000	1,095,920	1,890,000	1,850,613	41,856,338
4,750,000	843,640	2,005,000	1,736,197	41,849,642
5,015,000	577,640	2,120,000	1,613,700	41,841,145
5,300,000	296,800	2,250,000	1,482,600	41,844,205
		2,385,000	1,343,550	36,243,355
		2,525,000	1,196,250	265,550,753
		2,680,000	1,040,100	19,354,300
		2,835,000	874,650	19,343,850
		3,010,000	699,300	19,343,500
		3,190,000	513,300	19,337,500
		3,380,000	316,200	19,330,400
		3,580,000	107,400	19,321,600
				15,634,200
				15,634,200
				15,634,200
				15,634,200
				15,634,200
				38,415,013
				14,345,825
				235,050,825
<hr/>				
\$56,065,000	\$27,869,097	\$46,985,000	\$38,991,284	\$1,490,011,291

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## Historical Data

# INDIANAPOLIS AIRPORT AUTHORITY

## Financial Condition and Airport Statistical Data

December 31	2000	1999	1998	1997
<b>Operations Data</b>				
Operating revenues	\$112,631,139	\$105,122,776	\$93,235,564	\$74,216,857
Operating expenses (including depreciation)	79,819,055	75,105,327	69,151,182	61,494,122
Income from operations	32,812,084	30,017,449	24,084,382	12,722,735
Other revenues (expenses)				
State and local appropriations	29,413,316	28,736,823	28,167,664	26,449,285
Passenger facility charges	10,889,937	10,440,498	10,216,020	9,957,209
Investment income	8,097,725	5,105,075	6,957,043	12,408,496
Pension reversion				
Investment expense	(66,349,213)	(67,941,900)	(63,229,457)	(54,316,092)
Miscellaneous—net	(860,426)	(1,005,538)	(14,391)	(614,214)
Net income (loss)	\$ 14,003,423	\$ 5,352,407	\$ 6,181,261	\$ 6,607,419
Depreciation expense	\$51,650,844	\$50,702,167	\$45,636,590	\$38,388,126
<b>Balance Sheet Data</b>				
Bonds issued during year (net)			107,938,859	
Commercial paper issued during the year	24,000,000	27,000,000		
Special Facility Revenue Bonds of 1998	21,788,437	21,730,676	21,672,915	
Special Facility Revenue Bonds of 1995A	212,781,066	212,707,703	212,639,167	212,575,141
Special Facility Revenue Bonds of 1994	235,975,082	235,917,590	235,864,058	235,814,214
Special Facility Revenue Bonds of 1989				21,806,993
Refunding Revenue Bonds of 1998A	62,428,245	70,257,537	72,551,143	
Refunding Revenue Bonds of 1996A	49,717,472	51,430,736	52,964,400	54,301,453
Revenue Bonds of 1993	46,478,754	46,456,685	48,374,742	49,254,285
Revenue Bonds of 1988				63,188,085
Revenue Bonds of 1985				
General obligation bond indebtedness			850,000	1,650,000
Obligations under capital lease	313,058,235	322,612,735	330,921,711	338,165,630
Credit facilities	9,700,000	19,700,000	20,150,000	20,150,000
Federal Government grants	10,852,796	12,966,593	11,574,975	11,168,799
Contributions—United IMC			5,576	4,956,256
State Government grants	119,609	127,430	75,441	41,674
Contributions—lessees and other	35,639	1,804,686	2,540,122	5,569,930
Airport equity	354,360,453	329,348,986	309,097,870	288,720,495
<b>Airport Activity Data—Indianapolis International (Unaudited)</b>				
Enplaned passengers	3,874,622	3,727,242	3,651,527	3,588,556
Scheduled air carrier departures	61,902	60,375	44,673	54,044
Landings and takeoffs	256,144	248,318	238,797	230,518
Outbound cargo—tons	421,236	353,366	285,408	244,312
Outbound mail—tons	226,607	236,377	168,418	120,107

(1) Excludes effect of restatement under GASB Statement No. 31.

1996 <sup>(1)</sup>	1995 <sup>(1)</sup>	1994 <sup>(1)</sup>	1993 <sup>(1)</sup>	1992 <sup>(1)</sup>	1991 <sup>(1)</sup>
\$66,101,033	\$64,178,571	\$53,009,324	\$47,422,780	\$44,647,082	\$41,166,704
59,554,799	49,765,200	43,169,920	36,495,008	36,107,899	33,226,218
6,546,234	14,413,371	9,839,404	10,927,772	8,539,183	7,940,486
24,930,607	26,547,493	790,618			
10,428,520	9,108,010	8,779,284			
20,131,258	21,670,962	4,756,158	2,540,919		
325,527	1,600,000		2,182,421	1,562,217	2,860,373
(63,698,114)	(60,550,437)	(19,294,913)	(15,958,954)	(13,900,691)	(13,226,256)
17,525	(2,380)	(336,184)	(2,044,165)	(391,986)	(27,001)
\$ (1,318,443)	\$12,787,019	\$ 4,534,367	\$ (2,352,007)	\$ (4,191,277)	\$ (2,452,398)
\$37,463,488	\$28,780,017	\$21,087,108	\$18,491,787	\$18,253,372	\$16,698,502
64,409,145	213,544,440	236,846,908	51,208,611	52,089,375	31,326,216
	212,459,446				
212,515,325	235,724,587	235,684,348			
235,767,802	22,435,124	22,893,199	23,322,180		
22,193,028					
				23,721,998	24,097,589
55,366,343	50,906,894	51,239,821	51,223,747		
50,095,028	65,406,346	66,404,570	67,343,766	68,223,855	69,054,761
64,334,094	63,171,930	64,349,902	65,438,488	66,452,635	67,392,294
	3,950,000	5,425,000	7,600,000	9,650,000	11,575,000
2,400,000	320,222,927	10,190,352			
315,521,449	19,200,000	10,000,000			
22,950,000	7,989,633	26,727,587	14,249,062	8,516,802	12,173,826
14,837,427	15,736,917	(9,930)	1,220,269	1,372,143	
2,444,385	137,724	78,620	46,990	32,945	127,255
(2,500)	210,541	575,000	17,776	57,248	23,674
318,243	244,705,655	207,843,821	175,938,177	162,756,087	156,968,226
260,984,767					
3,539,144	3,361,943	3,244,120	2,981,973	3,172,231	2,846,327
50,092	58,119	56,943	55,280	60,660	60,306
227,109	248,143	241,347	233,456	252,584	233,442
217,101	161,858	186,965	201,151	155,396	108,251
117,999	120,928	111,815	92,148	80,358	105,086

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## APPENDIX C

### FORM OF APPROVING BOND COUNSEL OPINION

Upon delivery of the Series 2003A Bonds, Ice Miller, Indianapolis, Indiana, bond counsel, proposes to deliver their approving opinion in substantially the form set forth below.

The Indianapolis Local Public Improvement Bond Bank  
Indianapolis, Indiana

Re: The Indianapolis Local Public Improvement Bond Bank  
Bonds, Series 2003A (Indianapolis Airport Authority Project) ("Bonds")  
Total Issue: \$137,065,000  
Dated: \_\_\_\_\_, 2003

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by The Indianapolis Local Public Improvement Bond Bank ("Issuer") of \$137,065,000 of its Bonds, dated \_\_\_\_\_, 2003 ("Bonds"), pursuant to a Trust Indenture, dated as of January 1, 2003 (the "Indenture") between the Issuer and Bank One Trust Company, National Association, as Trustee (the "Trustee"). We have examined the law and the certified transcript of proceedings that the Issuer had relative to the authorization, issuance and sale of the Bonds and such other papers as we deem necessary to render this opinion. We have relied upon the certified transcript of proceedings and certificates of public officials and have not undertaken to verify any facts by independent investigation.

Based upon our examination, we are of the opinion, as of the date hereof, as follows:

1. The Bonds are the valid and binding limited obligations of the Issuer enforceable in accordance with the terms and provisions thereof, and together with any additional bonds on a parity therewith hereafter issued, will be secured by a pledge of and payable solely from the Trust Estate (as defined in the Indenture), which includes payments received on the Indianapolis Airport Authority Airport Revenue Bonds, Series 2003A of the Indianapolis Airport Authority ("Authority").

2. Under statutes, decisions, regulations and rulings existing on this date, interest on the Bonds is exempt from income taxation in the State of Indiana ("State"). This opinion relates only to the exemption of interest on the Bonds from State income taxes.

3. Under federal statutes, decisions, regulations and rulings existing on this date, interest on the Bonds is excludable from gross income for purposes of federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended ("Code"). Under Section 147(a) of the Code, the interest on any Bond will not be exempt from taxation during the time such Bond is held by a person who is a "substantial user" of the facilities financed by the Bonds or a "related person" thereto within the meaning of Section 147(a) of the Code and the regulations promulgated pursuant thereto. The opinions in this paragraph 3 relate only to the exclusion from gross

income of interest on the Bonds for federal income tax purposes under Section 103 of the Code and are conditioned on continuing compliance with tax representations and covenants made in the Indenture, in the General Ordinances 3-2002 and 4-2002 both adopted on December 20, 2002 by the Authority, and in certificates of the Issuer and the Authority (collectively, "Tax Representations"). Failure to comply with the Tax Representations could cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes retroactive to their date of issue.

It is to be understood that the rights of the owners of the Bonds and the enforceability thereof and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity. It is to be understood that the rights of the owners of the Bonds and the enforceability thereof and of the Indenture may be subject to the valid exercise of the constitutional powers of the Authority, the State and the United States of America.

Very truly yours,



## **APPENDIX D**

### **SUMMARY OF ORDINANCE**

The following is a summary of certain provisions of the Ordinance not otherwise discussed in this Official Statement.

#### **Definitions**

Definitions of certain capitalized terms used in this Appendix D are as follows:

“Account” means an account established in any Fund created by the Ordinance.

“Accreted Value” means (a) with respect to any Capital Appreciation Revenue Bond, as of any date of calculation, the sum of the amount set forth in a Supplemental Ordinance as the amount representing the initial principal amount of such Capital Appreciation Revenue Bond plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or (b) with respect to any Original Issue Discount Revenue Bond, as of the date of calculation, the amount representing the initial public offering price of such Original Issue Discount Revenue Bonds plus the amount of the discounted principal which has accreted since the date of issue; in each case the Accreted Value shall be determined in accordance with the provisions of the Supplemental Ordinance authorizing the issuance of such Capital Appreciation Revenue Bond or Original Issue Discount Revenue Bond.

“Act” means Indiana Code 8-22-3, as amended from time to time, and all laws supplemental thereto.

“Airline Agreement” means, collectively, the substantially similar agreements between the Authority and the various airlines and other substantial users of the Airport System, as in place from time to time, including the various Agreement and Lease of Premises executed with the Authority effective March 15, 2001, or if no agreement is in place, an ordinance of the Authority setting the rates for and providing the terms upon which the airlines may use the Airport.

“Airport Consultant” means an independent airport consultant or airport consulting firm:

(a) Who has a nationally recognized reputation for special skill and knowledge in methods of the development, operation, management and financing of airports and airport facilities; and

(b) Who is selected and retained by the Authority and is compensated thereby, but who is not in the regular employ or control of the Authority.

“Airport System” means all airport, heliport and aviation facilities, or any interest therein, now or from time to time hereafter owned, operated or controlled in whole or in part by the Authority, together with all properties, facilities and services thereof, and all additions, extensions, replacements and improvements thereto, and all services provided or to be provided by the Authority in connection therewith. The Airport System currently includes the present airports of the Authority, known as “Indianapolis International Airport,” “Eagle Creek Airpark,” “Mt. Comfort Airport,” “Downtown Heliport,” “Speedway Airport,” “Hendricks County Airport” and Metropolitan Airport.”

“Airport System Fund” means the fund established by the Ordinance into which all Gross Revenues shall be deposited.

“Authority” means the Indianapolis Airport Authority, a municipal corporation created pursuant to the Act and any successor thereto.

“Authorized Airport Representative” means the President, the Vice President, the Secretary or the Treasurer or any other duly authorized representative of the Authority.

“Balloon Indebtedness” shall mean, with respect to any series of Revenue Bonds fifty percent (50%) or more of the principal of which matures on the same date or within a Fiscal Year, that portion of such series which matures on such date or within such Fiscal Year; provided, however, that to constitute Balloon Indebtedness the amount of Revenue Bonds of a series maturing on a single date or within a Fiscal Year must equal or exceed 150% of the amount of such series which matures during any other Fiscal Year. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of such Revenue Bonds, scheduled to be amortized by prepayment or redemption prior to their stated maturity date. A Commercial Paper Program and the Commercial Paper constituting part of such Program shall not be Balloon Indebtedness.

“Capital Appreciation Revenue Bond” shall mean Revenue Bonds, all or a portion of the interest on which is compounded and accumulated at the rates and on the dates set forth in a Supplemental Ordinance and is payable only upon redemption or on the maturity date of such Revenue Bonds. Revenue Bonds which are issued as Capital Appreciation Revenue Bonds, but later convert to Revenue Bonds on which interest is paid periodically, shall be Capital Appreciation Revenue Bonds until the conversion date and from and after such conversion date shall no longer be Capital Appreciation Revenue Bonds, but shall be treated as having a principal amount equal to their Accreted Value on the conversion date.

“Capital Improvement” shall have the same meaning as “Capital Improvements” in the Airline Agreement, currently meaning any single item having a cost in excess of One Hundred Thousand Dollars (\$100,000), as adjusted by the Implicit Price Deflator Index, and a useful life in excess of two (2) years, acquired, purchased, or constructed in order to improve, maintain, or develop the Airport System, as well as any extraordinary or substantial expenditure whose object is to preserve, enhance, or protect the Airport System. Said term may include any expense for development studies, analysis, master planning efforts (including periodic reviews thereof), and economic or operational studies of the Airport System.

“Capital Improvement Fund” means the Capital Improvement Fund established to pay for any Capital Improvements and costs associated with repairs, replacements or renewals of the Airport System.

“Capitalized Interest Account” means the Capitalized Interest Account in the Revenue Bond Interest and Principal Fund established to pay interest due on the applicable Revenue Bonds.

“Commercial Paper” shall mean notes or other obligations of the Authority with a maturity of not more than two hundred seventy (270) days from the date of issuance and which are issued and reissued from time to time pursuant to a Program adopted by the Authority.

“Commercial Paper Program” shall mean a Program authorized by the Authority pursuant to which Commercial Paper shall be issued and reissued from time to time, up to the authorized amount of such Program.

“Completion Revenue Bonds” means the Completion Revenue Bonds authorized pursuant to the Ordinance to pay the cost of completing any Project for which Revenue Bonds have previously been issued.

“Coverage Fund” means the Coverage Fund established to provide future coverage on outstanding Revenue Bonds.

“Debt Service Requirement” means the annual amount required for payment of principal of and interest on, but excluding interest which has been funded by Revenue Bond proceeds, all Outstanding Revenue Bonds, whether at maturity or by reason of mandatory sinking fund redemption payment requirements; provided, however, that the following rules shall apply to the computation of Debt Service Requirements:

- (i) in determining the principal due in each year, payment shall (unless a different subsection of this definition applies for purposes of determining principal maturities or

amortization) be assumed to be made on Outstanding Revenue Bonds and Unissued Program Obligations in accordance with any amortization schedule established by or pursuant to a Supplemental Bond Ordinance setting forth the terms of such Revenue Bonds, including, as a principal payment, the Accreted Value of any Capital Appreciation Revenue Bonds or Original Issue Discount Revenue Bonds maturing or scheduled for redemption in such year; in determining the interest due in each year, interest payable at a fixed rate shall (except to the extent subsection (ii), (iii) or (iv) of this definition applies) be assumed to be made at such fixed rate and on the required payment dates; provided, however, that interest payable on the Revenue Bonds shall be excluded to the extent such payments are to be paid from a Capitalized Interest Account for such Fiscal Year;

(ii) if all or any portion or portions of an Outstanding series of Revenue Bonds or Program Obligations constitute Balloon Indebtedness, then, for purposes of determining the Debt Service Requirement, each maturity which constitutes Balloon Indebtedness shall, unless otherwise provided in the Supplemental Bond Ordinance pursuant to which such Balloon Indebtedness is issued or unless subsection (iii) of this definition then applies to such maturity, be treated as if it were to be amortized over a term of not more than thirty (30) years and with substantially level annual debt service payments commencing not later than the year following the year in which such Balloon Indebtedness was issued; the interest rate used for such computation shall be that rate quoted as The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by The Bond Buyer, or if that index is no longer published, another similar index selected by the Authority, or if the Authority fails to select a replacement index, that rate determined by the Airport Consultant to be a reasonable market rate for fixed-rate Revenue Bonds of a corresponding term issued under this Ordinance on the date of such calculation, with no credit enhancement and taking into consideration whether such Revenue Bonds bear interest which is or is not excluded from gross income for federal income tax purposes; with respect to any series of Revenue Bonds or Program Obligations, only a portion of which constitutes Balloon Indebtedness, the remaining portion shall be treated as described in subsection (i) above or such other provision of this definition as shall be applicable;

(iii) any maturity of Revenue Bonds which constitutes Balloon Indebtedness as described in subsection (ii) of this definition and for which the stated maturity date occurs within twelve (12) months from the date such calculation of the Debt Service Requirement is made, shall be assumed to become due and payable on the stated maturity date and subsection (ii) above shall not apply thereto unless there is delivered to the entity making the calculation of the Debt Service Requirement a certificate of an Authorized Airport Representative stating that the Authority intends to refinance such maturity and stating the probable terms of such refinancing and that the debt capacity of the Authority is sufficient to successfully complete such refinancing; upon the receipt of such certificate, such Balloon Indebtedness shall be assumed to be refinanced in accordance with the probable terms set out in such certificate and such terms shall be used for purposes of calculating the Debt Service Requirement, provided that such assumption shall not result in an interest rate lower than that which would be assumed under subsection (ii) above and shall be amortized over a term of not more than thirty (30) years from the date of refinancing;

(iv) if any Outstanding Revenue Bonds (including Program Obligations) or any Revenue Bonds which are then proposed to be issued constitute Tender Indebtedness (but excluding Program Obligations or Revenue Bonds as to which a Qualified Derivative Agreement is in effect and to which subsection (viii) applies), then, for purposes of determining the Debt Service Requirement, Tender Indebtedness shall be treated as if the principal amount of such Revenue Bonds were to be amortized over a term of not more than thirty (30) years commencing in the year in which such Tender Indebtedness is first subject to tender and with substantially level debt service payments; the interest rate used for such computation shall be either (a) the average of the variable rates applicable to such Tender Indebtedness during any consecutive 12-month period

during the immediately preceding twenty-four (24) months (or a shorter period, commencing on the date of issuance of such Tender Indebtedness) ending within thirty (30) days prior to the date of computation, or (b) with respect to any Tender Indebtedness for which such an average of the variable rates cannot be determined, (i) at a rate equal to 110% of the most recent BMA Index theretofore published in The Bond Buyer, or (ii) if The Bond Buyer is no longer published or no longer publishes the BMA Index, at a rate certified by the Authority's financial advisor, underwriter or other agent, including a remarketing agent, to be the rate of interest such Tender Indebtedness would bear if issued on the date of computation in the same amount, with the same maturity or maturities, with the same security and bearing interest at a variable rate, taking into consideration whether interest on such Tender Indebtedness is or is not excluded from gross income for federal income tax purposes; and with respect to all principal and interest payments becoming due prior to the year in which such Tender Indebtedness is first subject to tender, such payments shall be treated as described in subsection (i) above unless the interest during that period is subject to fluctuation, in which case the interest becoming due prior to such first tender date shall be determined as provided in subsections (v) or (vi) below, as appropriate;

(v) if any Outstanding Revenue Bonds constitute Variable Rate Indebtedness, including obligations described in subsection (viii)(B) to the extent it applies (except to the extent subsection (ii) or (iii) relating to Balloon Indebtedness or subsection (iv) relating to Tender Indebtedness or subsection (viii)(A) relating to Synthetic Fixed Rate Debt applies), the interest rate used for such computation shall be either (a) the average of the variable rates applicable to such Variable Rate Indebtedness during any consecutive 12-month period during the immediately preceding twenty-four (24) months (or a shorter period, commencing on the date of issuance of such Variable Rate Indebtedness) ending within thirty (30) days prior to the date of computation, or (b) with respect to any Variable Rate Indebtedness for which such an average of the variable rates cannot be determined, (i) at a rate equal to 110% of the most recent BMA Index theretofore published in The Bond Buyer, or (ii) if The Bond Buyer is no longer published or no longer publishes the BMA Index, at a rate certified by the Authority's financial advisor, underwriter or other agent, including a remarketing agent, to be the rate of interest such Variable Rate Indebtedness would bear if issued on the date of computation in the same amount, with the same maturity or maturities, with the same security and bearing interest at a variable rate, taking into consideration whether interest on such Variable Rate Indebtedness is or is not excluded from gross income for federal income tax purposes;

(vi) with respect to any Program Obligations or Unissued Program Obligations (in each case other than Commercial Paper) (A) debt service on such Program Obligations then Outstanding shall be determined in accordance with such of the foregoing provisions of this definition as shall be applicable, and (B) with respect to Unissued Program Obligations, it shall be assumed that the full principal amount of such Unissued Program Obligations will be amortized over a term certified by an Authorized Airport Representative at the time the initial Program Obligations of such Program are issued to be the expected duration of such Program or, if such expectations have changed, over a term certified by an Authorized Airport Representative to be the expected duration of such Program at the time of such calculation, but not to exceed thirty (30) years from the date of the initial issuance of such Program Obligations and it shall be assumed that debt service shall be paid in substantially level annual debt service payments over such assumed term; the interest rate used for such computation shall be the average of the variable rates applicable to such Unissued Program Obligations during any consecutive 12-month period during the immediately preceding twenty-four (24) months (or a shorter period, commencing on the date of issuance of such Unissued Program Obligations) ending within thirty (30) days prior to the date of computation, or (b) with respect to any Unissued Program Obligations for which such an average of the variable rates cannot be determined, (i) at a rate equal to 110% of the most recent BMA Index theretofore published in The Bond Buyer, or (ii) if The Bond Buyer is no longer published or no longer publishes the BMA Index, at a rate certified by the Authority's financial advisor, underwriter or other agent, including a remarketing agent, to be the rate of interest such

Unissued Program Obligations would bear if issued on the date of computation in the same amount, with the same maturity or maturities, with the same security and bearing interest at a variable rate, taking into consideration whether interest on such Program Obligations or Unissued Program Obligations is or is not excluded from gross income for federal income tax purposes;

(vii) debt service on Repayment Obligations shall be deemed to be the Debt Service Requirement for the Revenue Bonds associated with such Repayment Obligations;

(viii) (A) for purposes of computing the Debt Service Requirement of Revenue Bonds which constitute Synthetic Fixed Rate Debt, the interest payable thereon shall, if the Authority elects, be that rate as provided for by the terms of the Qualified Derivative Agreement or the net interest rate payable pursuant to offsetting indices, as applicable, or if the Authority fails to elect such rate, then it shall be deemed to be the fixed interest rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by The Bond Buyer, or if that index is no longer published, another similar index selected by the Authority;

(B) for purposes of computing the Debt Service Requirement of Revenue Bonds with respect to which a Qualified Derivative Agreement has been entered into whereby the Authority has agreed to pay the floating variable rate thereunder, no fixed interest rate amounts payable on the Revenue Bonds to which such Qualified Derivative Agreement pertains shall be included in the calculation of the Debt Service Requirement, and the interest rate with respect to such Revenue Bonds shall, if the Authority elects, be the sum of that rate as determined in accordance with subsection (v) relating to Variable Rate Indebtedness plus the difference between the interest rate on such Revenue Bonds and the rate received from the Qualified Derivative Agreement provider;

(ix) with respect to any Commercial Paper Program which has been implemented and not then terminated or with respect to any Commercial Paper Program then proposed to be implemented, with respect to Commercial Paper issued thereunder, the principal of and interest thereon shall be calculated as if the entire authorized amount of such Commercial Paper Program were to be amortized over a term of thirty (30) years commencing in the year in which such Commercial Paper Program is implemented and with substantially level annual debt service payments; the interest rate used for such computation shall be the average of the variable rates applicable to such Commercial Paper Program during any consecutive 12-month period during the immediately preceding twenty-four (24) months (or a shorter period, commencing on the date of issuance of such Commercial Paper Program) ending within thirty (30) days prior to the date of computation, or (b) with respect to any Commercial Paper Program for which such an average of the variable rates cannot be determined, (i) at a rate equal to 110% of the most recent BMA Index theretofore published in The Bond Buyer, or (ii) if The Bond Buyer is no longer published or no longer publishes the BMA Index, at a rate certified by the Authority's financial advisor, underwriter or other agent, including a remarketing agent, to be the rate of interest such Commercial Paper Program would bear if issued on the date of computation in the same amount, with the same maturity or maturities, with the same security and bearing interest at a variable rate, taking into consideration whether interest on such Commercial Paper is or is not excluded from gross income for federal income tax purposes;

(x) if moneys or Defeasance Obligations have been irrevocably deposited with and are held by the Trustee or another fiduciary or moneys in the Capitalized Interest Account have been set aside exclusively to be used to pay principal of and/or interest on specified Revenue Bonds, then the principal of and/or interest on to be paid from such moneys, Defeasance Obligations or from the earnings thereon shall be disregarded and not included in calculating the Debt Service Requirement; and

(xi) the principal of and/or interest on Revenue Bonds to be paid from Dedicated Revenues or from earnings thereon shall be disregarded and not included in calculating the Debt Service Requirement as provided in Section 4.19.

“Dedicated Revenues” means passenger facility charges, state and/or federal grants or other moneys which the Authority has dedicated to pay principal of and/or interest on Revenue Bonds in the manner provided under the Ordinance.

“Defeasance Obligations” means with respect to any particular series of Revenue Bonds, any security specified by the Authority in the Supplemental Bond Ordinance as a Defeasance Obligation in connection with the sale of such Revenue Bonds by the Authority.

“Derivative Agreement” means an agreement or contract executed by the Authority in connection with a transaction, agreement or understanding entered into by the Authority in connection with Revenue Bonds or Subordinate Securities in which the Authority and a counterparty agree to exchange payments in the future, including, without limitation, transactions commonly called swap agreements, option agreements in which the counterparty can require the Authority to issue Refunding Revenue Bonds, cap and floor agreements and interest rate swap agreements.

“Designated Debt” shall mean a specific indebtedness designated by the Authority in which such debt shall be offset with a Derivative Agreement, such specific indebtedness to include all or any part of a series or multiple series of Revenue Bonds.

“Event of Default” means an Event of Default as set forth in the Ordinance. See “Events of Default and Remedies of Owners of Revenue Bonds.”

“Federal Payment” means those funds received by the Airport System from the federal government or any agency thereof as payments for the use of any facilities or services of the Airport System, but excluding grants-in-aid and all mandated payments, including payments from the United States Transportation Security Administration.

“Fiduciary” means any Trustee, Registrar or Paying Agent, or any successor to any thereof, appointed and serving in such capacity pursuant to the provisions of the Ordinance.

“Fiscal Year” means the fiscal year of the Authority being the period from January 1 in any year to the following December 31 or any other period specified by the Authority as its fiscal year, for accounting purposes.

“Fund” means any Fund established by the Ordinance.

“General Obligation Bonds” means any General Obligation Bonds issued by the Authority pursuant to I.C. 8-22-3-16, or prior provisions of statutes governing the Authority.

“General Obligation Bond Interest and Principal Fund” means the General Obligation Bond Interest and Principal Fund established to pay principal, interest and redemption premiums, if any, on the General Obligation Bonds, to purchase General Obligation Bonds on the open market or to pay other costs pertaining to the General Obligation Bonds.

“Gross Revenues” means all revenues, income, accounts and general intangibles from the Airport System, including but not limited to rents, charges, landing fees, user charges, revenues from concessionaires, ground rents from Special Purpose Facilities and similar revenues, but excluding revenue from ad valorem taxes or payments in lieu of taxes, payments received on any Investment Swap, Federal Payments, passenger facility and similar charges, grants-in-aid, gifts, investment income, bond or loan proceeds, proceeds from the sale of Airport System capital assets, revenues derived from the reversion of an interest in property following the expiration of a lease, Released Revenues or rental payments made for Special Purpose Facilities to provide for debt service and for an allocable portion of administrative costs for such facilities.

“Implicit Price Deflator Index” means the Implicit Price Deflator Index published by the United States Bureau of Labor Statistics, as amended and supplemented from time to time, or any successor index thereto.

“Investment Swap” means an agreement or contract executed by the Authority in connection with the investment of funds, in which the Authority and a counterparty agree to make payments in the future based upon interest rates, including, without limitation, swap agreements, cap and floor agreements, forward delivery agreements or investment contracts.

“Net Revenues” means Gross Revenues less Operation and Maintenance Expenses.

“Operation and Maintenance Expenses” means the reasonable, necessary current expenses of the Authority paid or accrued in operating and maintaining the Airport System, including but not limited to (a) costs of collecting Gross Revenues and making refunds; (b) engineering, audit reports, legal and administrative expenses; (c) salaries, wages and other compensation; (d) costs of routine repairs, replacements and renewals; (e) costs of utility services; (f) general administrative overhead of the Authority; (g) material and supplies used in the ordinary course of business; (h) contractual and professional services; (i) costs of insurance and fidelity bonds; (j) costs of carrying out provisions of the Ordinance; (k) the costs for any single item of \$100,000 or less, as adjusted by the Implicit Price Deflator Index, (or such other amount, if any, specified in the Airline Agreement) or which has a useful life of less than two (2) years; and (l) all other routine costs and expenses or costs and expenses required to be paid by the Authority by law. The term “Operation and Maintenance Expenses” shall not include any allowance for depreciation, any debt service, nor any operation and maintenance expense incurred in connection with Special Purpose Facilities which are reimbursed by the lessee thereof.

“Operation and Maintenance Reserve Fund” means the Operation and Maintenance Reserve Fund established by the Ordinance.

“Ordinance” means the Amended and Restated Master Bond Ordinance as enacted by the Authority on December 20, 2002, as hereafter amended and supplemented, including any and all Supplemental Ordinances hereafter adopted for the issuance of Revenue Bonds.

“Original Issue Discount Revenue Bond” shall mean Revenue Bonds which are sold at an initial public offering price of less than face value and which are specifically designated as Original Issue Discount Revenue Bonds by the Supplemental Ordinance under which such Revenue Bonds are issued.

“Outstanding” means, as of a particular date, all such Revenue Bonds theretofore and thereupon delivered except: (a) any such Revenue Bond canceled by or on behalf of the Authority at or before said date; (b) any such Revenue Bond defeased pursuant to the defeasance provisions of the ordinance authorizing its issuance, or otherwise defeased as permitted by applicable law; and (c) any such Revenue Bond in lieu of or in substitution for which another Revenue Bond shall have been delivered pursuant to the ordinance authorizing the issuance of such Revenue Bond.

“Paying Agent” means any bank or trust company organized under the laws of any state of the United States or any national banking association designated as Paying Agent or Co-Paying Agent for the Revenue Bonds of any Series, and its successor or successors hereafter appointed in the manner provided in the Ordinance.

“Prepaid Airline Fund” means the Fund containing moneys to be used as a credit in calculating the revenues needed to meet the requirement of the rate covenant set forth in the Ordinance and to meet the tests for additional Revenue Bonds set forth in the Ordinance.

“Program” shall mean a financing program identified in a Supplemental Ordinance, including, but not limited to a Commercial Paper Program, (a) which is authorized and the terms thereof approved by a Supplemental Ordinance adopted by the Authority where the items described in the Ordinance have been filed with the Trustee, (b) wherein the Authority has authorized the issuance, from time to time, of notes, Commercial Paper or other indebtedness as Revenue Bonds, and (c) the authorized amount of which has met the additional bonds test set forth

in the Ordinance and the Outstanding amount of which may vary from time to time, but not exceed the authorized amount set forth in such Supplemental Ordinance.

“Program Obligations” shall mean Revenue Bonds issued and Outstanding pursuant to a Program, other than Unissued Program Obligations.

“Project” means, as it pertains to any particular issue of Revenue Bonds, any use of Revenue Bond proceeds for a Capital Improvement as further described in any Supplemental Bond Ordinance.

“Project Costs” with respect to any Project means costs including the following:

- (i) obligations of the Authority and all contractors incurred for labor and materials in connection with the construction, installation and equipping of the Project;

- (ii) the cost of contract bonds and insurance of all kinds that may be required or necessary during the construction of the Project;

- (iii) all costs of architectural and engineering services, including the costs of the Authority for test borings, surveys, estimates, plans and specifications and preliminary investigation therefor, and for supervising construction, as well as for the performance of all other duties required by or consequent upon the proper construction of the Project;

- (iv) all expenses incurred in connection with the issuance of Revenue Bonds, including, without limitation, compensation and expenses of the Trustee, Registrar and Paying Agents, expenses of the Authority, legal and accounting expenses and fees, payments on a Derivative Agreement, costs of printing and engraving, recording and filing fees, compensation of underwriters, rating agency fees, costs of financial services, and interest;

- (v) all sums required to reimburse the Authority for advances made by it for any of the above items or for any other costs incurred and for work done, whether before or after the adoption of this Ordinance, which are properly chargeable to the Project; and

- (vi) all other components of cost of labor, materials, machinery and equipment and financing charges attributable to the Projects to the extent permitted by the Act.

“Qualified Derivative Agreement” means a Derivative Agreement with respect to which:

- (i) the counterparty to such Derivative Agreement shall be rated at the time of execution of such Derivative Agreement: (A) at least as high as the then current rating on the Revenue Bonds (without regard to credit enhancement) if the Revenue Bonds are then rated; or (B) in a category not lower than the A category now used by each Rating Agency (if such then exist) if the Revenue Bonds are not then rated; and

- (ii) the Authority shall have determined by certificate filed with the Trustee to treat the Derivative Agreement as a Qualified Derivative Agreement under the Ordinance.

“Registrar” means any bank or trust company organized under the laws of any state of the United States or any national banking association designated as Registrar by the Authority to perform the duties set forth in the Ordinance.

“Released Revenues” means revenues (including any revenues, fees, income and receipts that would otherwise be considered to be Gross Revenues) which the Authority has determined to designate as Released Revenues in accordance with the provisions of the Ordinance.



“Revenue Bonds” means the bonds, notes or other obligations authorized to be issued pursuant to the Ordinance as Revenue Bonds or Completion Revenue Bonds secured in whole or in part by a first priority lien on the Net Revenues.

“Revenue Bond Interest and Principal Fund” means the Revenue Bond Interest and Principal Fund established to enable the Authority to pay principal, interest, and redemption premiums, if any, on the Revenue Bonds, to purchase Revenue Bonds on the open market and to pay other costs pertaining to the Revenue Bonds.

“Revenue Bond Reserve Fund” means the Revenue Bond Reserve Fund established under the Ordinance with separate accounts as established in a Supplemental Ordinance for any issue of Revenue Bonds.

“Special Purpose Facilities” means facilities which are leased from the Authority pursuant to which the lessee agrees to pay to the Authority rentals or fees sufficient to pay the principal and interest on bonds issued to pay the cost of construction of the Special Purpose Facility plus such further rentals or fees necessary to maintain all reserves or pay necessary administrative expenses required for Special Purpose Facilities.

“Subordinate Securities” means each series of bonds, notes or other obligations permitted to be issued by the Authority under the Ordinance as Subordinate Securities secured in whole or in part by liens on the Net Revenues that are junior and subordinate to the lien on Net Revenues securing payment of Revenue Bonds.

“Subordinate Securities Interest and Principal Fund” means the Subordinate Securities Interest and Principal Fund established by the Ordinance.

“Subordinate Securities Reserve Fund” means the Subordinate Securities Reserve Fund established by the Ordinance to which transfers may be made as required by any Supplemental Ordinance of the Authority authorizing the issuance of Subordinate Securities.

“Supplemental Bond Ordinance” means, with respect to a series of Revenue Bonds, the Supplemental Ordinance pursuant to which such series was issued.

“Supplemental Ordinance” means each ordinance enacted by the Authority for the issuance of Revenue Bonds or Subordinate Securities or to amend or supplement the Ordinance.

“Synthetic Fixed Rate Debt” shall mean indebtedness issued by the Authority which: (a) is combined, as Designated Debt, with a Qualified Derivative Agreement and creates, in the opinion of an Underwriter, a substantially fixed-rate maturity or maturities for a term not exceeding such maturity or maturities, or (b) consisting of an arrangement in which two inversely related variable-rate securities are issued in equal notional amounts with interest based on off-setting indices resulting in a combined payment which is economically equivalent to a fixed rate.

“Tax-Exempt Bonds” means any Revenue Bonds the interest on which, when issued, the Authority expected to be excludable from gross income of the Owners thereof for federal income tax purposes.

“Tender Indebtedness” shall mean any Revenue Bonds or portions of Revenue Bonds a feature of which is an option or an obligation on the part of the holders, under the terms of such Revenue Bonds, to tender all or a portion of such Revenue Bonds to the Authority, the Trustee, the Paying Agent or other fiduciary or agent or credit provider for payment or purchase and requiring that such Revenue Bonds or portions of Revenue Bonds be purchased if properly presented.

“Trustee” means any and all Trustees or successor Trustees designated in a Supplemental Bond Ordinance.

“Unissued Program Obligations” shall mean the Revenue Bonds authorized to be issued pursuant to a Program, issuable in an amount up to the authorized amount relating to such Program, which have been approved for issuance by the Authority pursuant to a Supplemental Bond Ordinance adopted by the Authority and with respect

to which Program the items described in the Ordinance have been filed with the Trustee but which have not yet been authenticated and delivered pursuant to the Program documents.

“Variable Rate Indebtedness” shall mean any Revenue Bond or Revenue Bonds the interest rate on which is not, at the time in question, fixed to maturity, excluding any Commercial Paper Program.

### **Creation of Funds and Accounts**

(a) The Ordinance establishes special Funds and Accounts including the Airport System Fund, the Revenue Bond Interest and Principal Fund (including a Capitalized Interest Account) and the Revenue Bond Reserve Fund.

(b) In addition, the Authority may provide for additional funds from time to time for accounting and rate-setting purposes, the provisions of which the Authority may amend without the consent of the Trustee or any bondholder. At this time, the Authority has created the General Obligation Bond Interest and Principal Fund, the General Obligation Bond Reserve Fund, the Subordinate Securities Interest and Principal Fund, the Subordinate Securities Reserve Fund, the Operation and Maintenance Reserve Fund, the Renewal and Replacement Fund, the Capital Improvement Fund, the Coverage Fund and the Prepaid Airline Fund.

Under the Ordinance, the Airport System Fund and any fund described in (b) above must be maintained as separate funds or accounts on the books of the Authority, and all amounts credited to such funds will be maintained in an official depository bank of the Authority. Moreover, the Ordinance provides that the Revenue Bond Interest and Principal Fund and the Revenue Bond Reserve Fund, which constitute trust funds for the owners of the Revenue Bonds, will be maintained with the Trustee subject to the terms and conditions of the Ordinance.

### **Airport System Fund**

All Gross Revenues shall be deposited as received into the Airport System Fund. In addition, the Authority may deposit into the Airport System Fund any Federal Payments, provided that, so long as such Federal Payments are excluded from the definition of Gross Revenues, such Federal Payments shall not be required to be applied for any debt service or reserves therefor. Moneys from time to time credited to the Airport System Fund shall be applied as follows in the following order of priority:

- (i) First, to apply and use sufficient amounts to pay and to provide for the payment of all current Operation and Maintenance Expenses.
- (ii) Second, to transfer all amounts to the Revenue Bond Interest and Principal Fund.
- (iii) Third, to transfer all amounts to the Revenue Bond Reserve Fund required by the Ordinance or any Supplemental Bond Ordinance.

Moneys remaining in the Airport System Fund, after making the deposits provided above, shall be held by the Authority for application at a future time as provided above or for deposit to any other account or fund of the Authority or for any other purpose of the Authority.

After making the deposits mentioned above, the Authority also agrees, to the extent moneys are available, to make deposits from the Airport System Fund as follows:

- (i) First, to transfer all amounts to the General Obligation Bond Interest and Principal Fund required by any ordinance authorizing the issuance of General Obligation Bonds;
- (ii) Second, to transfer all amounts to the General Obligation Bond Reserve Fund required by any ordinance authorizing the issuance of General Obligation Bonds;

- (iii) Third, to transfer all amounts to the Subordinate Securities Interest and Principal Fund required by any Supplemental Ordinance authorizing the issuance of Subordinate Securities;
- (iv) Fourth, to transfer all amounts to the Subordinate Securities Reserve Fund required by any Supplemental Ordinance authorizing the issuance of Subordinate Securities;
- (v) Fifth, to transfer all amounts to the Operation and Maintenance Reserve Fund required by this Ordinance or any Supplemental Ordinance;
- (vi) Sixth, to transfer all amounts to the Renewal and Replacement Fund required by the Ordinance and any other Supplemental Bond Ordinance;
- (vii) Seventh, to transfer amounts to the Capital Improvement Fund as provided in the Ordinance;
- (viii) Eighth, to transfer amounts to the Coverage Fund as provided in the Ordinance; and
- (ix) Ninth, to transfer all amounts to the Prepaid Airline Revenue Fund as provided in the Ordinance.

Notwithstanding the Authority's agreement to deposit moneys as provided in (i)-(ix) above, the Authority may alter, amend or terminate any of these funds without Bondowner or Trustee consent.

#### **Revenue Bond Interest and Principal Fund**

Amounts in the Revenue Bond Interest and Principal Fund will be disbursed solely for the purpose of making timely payment of principal, interest and redemption premiums, if any, on the Revenue Bonds, and to pay all fees charged in connection with bond insurance, letters of credit, lines of credit or other credit or liquidity facilities, tender agent agreements and any similar agreements pertaining to the Revenue Bonds. The Authority may create a Capitalized Interest Account of the Revenue Bond Interest and Principal Fund for any series of Revenue Bonds.

Moneys received by the Authority pursuant to any Qualified Derivative Agreement will be deposited into the Revenue Bond Interest and Principal Fund, and moneys paid by the Authority pursuant to any Qualified Derivative Agreement will be paid from the Revenue Bond Investment Principal Fund. In the event that the moneys in the Revenue Bond Interest and Principal Fund shall be insufficient to pay the amounts described in the Supplemental Bond Ordinance adopted for each series of Revenue Bonds, the Trustee will apply the moneys in the Revenue Bond Interest and Principal on a pro rata basis (except that Dedicated Revenues shall only be applied to the extent allowed by law) to pay such amounts prior to taking into consideration the amounts on deposit in any account of the Revenue Bond Reserve Fund.

#### **Revenue Bond Reserve Fund**

The Authority is authorized to specify in the Supplemental Ordinance authorizing a series of Revenue Bonds that an account or accounts of the Revenue Bond Reserve Fund may be maintained for such Revenue Bonds and the provisions with respect thereto or that no account of the Revenue Bond Reserve Fund is being created for such Revenue Bonds. In addition, the Ordinance provides that the reserve requirement for any series of Revenue Bonds may be satisfied by a surety bond, insurance policy or letter of credit (each, a "Reserve Policy"). The issuer of each Reserve Policy must be rated by each Rating Agency then rating such applicable series of Revenue Bonds or such Rating Agency must consent to the delivery of each such Reserve Policy. The obligation of the Authority to fund the applicable reserve requirement shall be deemed satisfied as of any date to the extent of the then available balance of any Reserve Policy; *provided, however*, that the applicable reserve requirement is not satisfied if, on the date of delivery of a Reserve Policy, the rating on any Revenue Bond issued by any Rating Agency would be

reduced or withdrawn as a result of the delivery of such Reserve Policy. If a disbursement were to be made pursuant to a Reserve Policy, the Authority would be obligated (i) to reinstate the maximum limits of such Reserve Policy or (ii) to deposit into the applicable account of the Revenue Bond Reserve Fund moneys in an amount equal to the disbursement made under such Reserve Policy, or a combination of such alternatives, as would provide that the applicable account of the Revenue Bond Reserve Fund has all of the moneys on deposit as it shall be required to have at such time.

### **General Obligation Bond Interest and Principal Fund**

Amounts in the General Obligation Bond Interest and Principal Fund will be disbursed solely for the purpose of paying principal, interest and redemption premiums, if any, on the General Obligation Bonds, or to purchase General Obligation Bonds on the open market, and to pay all bank charges, costs of any credit and liquidity facilities and other costs pertaining to the General Obligation Bonds or such payments.

### **Subordinate Securities Interest and Principal Fund**

The Authority will set forth in any Supplemental Ordinance authorizing a series of Subordinate Securities the provisions with respect to the Subordinate Securities Principal and Interest Fund.

### **Subordinate Securities Reserve Fund**

Amounts in the Subordinate Securities Reserve Fund will be maintained and transferred in accordance with the Supplemental Ordinance of the Authority authorizing the issuance of Subordinate Securities.

### **Operation and Maintenance Reserve Fund**

The Authority may fund and maintain a balance of money and investments in the Operation and Maintenance Reserve Fund at least equal to two (2) months current Operation and Maintenance Expense or such other amount as agreed to in any Airline Agreement. The amount required to be held in this Fund will be determined annually at the time of approval of the annual budget for the following Fiscal Year for the Airport System pursuant to the Indenture. The balance in this fund will be evaluated monthly in light of current Operation and Maintenance Expense expectations and, on or before the last business day of each month, after making all required payments and provision for payment of Operation and Maintenance Expenses and all required transfers, the Authority may transfer from the Airport System Fund, to the extent amounts are available, to the Operation and Maintenance Reserve Fund the amount needed to establish or reestablish the balance in the Operation and Maintenance Reserve Fund to that level required by the Ordinance. Amounts credited to the Operation and Maintenance Reserve Fund may be used at any time first, to pay for any Operation and Maintenance Expenses for which amounts are not otherwise available in the Airport System Fund; second, to the extent any amounts are remaining, to be transferred to the Revenue Bond Interest and Principal Fund, the Revenue Bond Reserve Fund, the General Obligation Bond Interest and Principal Fund, the General Obligation Bond Reserve Fund, the Subordinate Securities Interest and Principal Fund or the Subordinate Securities Reserve Fund to the extent of any deficiency; third, to pay any costs or expenses payable from the Renewal and Replacement Fund for which there are insufficient amounts in the Renewal and Replacement Fund; and fourth, to the extent any excess amounts remain, for transfer to the Capital Improvement Fund.

### **Renewal and Replacement Fund**

The Authority may fund and maintain a balance in the Renewal and Replacement Fund equal to the greater of \$2,000,000, as adjusted for inflation, or 2% of all Airport System Operation and Maintenance Expense or such other amount agreed to in any Airline Agreement. Amounts in the Renewal and Replacement Fund may be used for the following purposes and in the following order of priority: (a) to pay the extraordinary costs of replacing depreciable property and equipment and making extraordinary repairs, replacements or renovations of the Airport System; (b) to pay any Operation and Maintenance Expenses for which insufficient amounts are available in the Airport System Fund; (c) to satisfy any deficiencies in the Revenue Bond Interest and Principal Fund and the

Revenue Bond Reserve Fund; and (d) to the extent of any amounts remaining in excess of such minimum reserve requirement, to the Capital Improvement Fund.

### **Capital Improvement Fund**

The Authority may disburse amounts in the Capital Improvement Fund for any lawful purpose of the Authority, including without limitation to pay for any Capital Improvements, to pay for any costs of replacing any depreciable property or equipment in the Airport System, to pay for any major or extraordinary repairs, replacements or renewals of the Airport System, payments to be made by the Authority on an Investment Swap or a Derivative Agreement (other than a Qualified Derivative Agreement), to acquire land or any interest therein, to pay any lease or contractual obligations not otherwise paid as Operation and Maintenance Expenses for any lawful purpose of the Authority and to make any transfers required to cure any deficiencies in any Funds.

### **Coverage Fund**

The Authority may, after making all required payments and transfers, the Authority may deposit Gross Revenues to the Coverage Fund for the purpose of establishing future coverage on outstanding Revenue Bonds. Moneys in the Coverage Fund may be used for any lawful purpose of the Authority.

### **Prepaid Airline Revenue Fund**

Any amount in the Prepaid Airline Fund at the end of any Fiscal Year shall be used as a credit in calculating the revenues needed to meet the requirement of the rate covenant and to meet tests for Additional Revenue Bonds each as set forth in the Ordinance for the following Fiscal Year. After making such credit, however, such moneys may ultimately be used for any Airport System purpose deemed necessary by the Authority.

### **Investment of Funds**

Moneys in all Funds will, at the option and direction of the Authority, be invested and secured in the manner required by law for public funds in direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, in obligations of any agencies or instrumentalities of the United States of America or in any other investment authorized by Indiana law; provided, that all such deposits and investments must be made in such manner that the money required to be expended from any Fund will be available at the proper time or times. For purposes of maximizing investment returns, money in such Funds may be invested, together with money in other Funds or with other money of the Authority, in common investments of the kind described above, or in a common pool of such investments maintained by the Authority or the Trustee which will not be deemed to be a loss of the segregation of such money or Funds so long as safekeeping receipts or certificates of participation or other documents clearly evidencing the investment or investment pool in which such money is invested, and the share thereof purchased with such money or owned by such Fund, are held by or on behalf of each such Fund. If, and to the extent necessary, such investments or participations therein will be promptly sold to prevent any default.

Interest and income derived from the deposit and investment of amounts held in all Funds will be transferred or credited monthly to the Airport System Fund or such other Fund as the Authority shall direct, except as follows: (a) all interest and income derived from deposits and investments in any Fund will remain in such Fund to the extent necessary to accumulate the balance required to be maintained therein; and (b) all interest and income derived from deposits and investments held in any Construction Fund will remain in such Construction Fund for application on Project Costs until such Projects are complete, at which time all moneys in the Construction Fund will be transferred to: (i) any account or fund as provided in the Supplemental Ordinance pursuant to which such moneys were deposited into the Construction Fund; (ii) the Revenue Bond Interest and Principal Fund or the Revenue Bond Reserve Fund if needed to eliminate deficiencies therein; and (iii) then to the Capital Improvement Fund or such other Fund as the Authority shall direct.

## **Dedicated Revenues**

From time to time the Authority may adopt an ordinance or resolution irrevocably designating certain revenues received by the Authority (and not otherwise treated as Gross Revenues) as Dedicated Revenues to be used exclusively to pay debt service on Revenue Bonds. In such ordinance or resolution, the Authority shall elect to exclude from the Debt Service Requirement, an amount of principal of and/or interest on Revenue Bonds in an amount equal to such Dedicated Revenues. If the Authority adopts an ordinance or resolution as described in this paragraph, the Authority shall transfer such Dedicated Revenues into the Revenue Bond Interest and Principal Fund at such time as is needed to pay such debt service when due.

## **Released Revenues**

The Authority may identify and determine that any revenues (including revenues, fees, income and receipts that would otherwise be considered to be Gross Revenues) are to be designated as Released Revenues by filing the following items with the Trustee:

(a) a written request of an Authorized Airport Representative to release such revenues, accompanied by a certificate of such Authorized Airport Representative certifying the Authority is in compliance with all requirements of the Ordinance;

(b) either (i) an Accountant's Certificate to the effect that Net Revenues, excluding the revenues proposed to become Released Revenues, for each of the two (2) latest Fiscal Years for which audited financial reports are available were equal to at least 135% of the Debt Service Requirement for each of such Fiscal Years; or (ii) a certificate of an Airport Consultant to the effect that based upon current knowledge of the operation of the Airport, Net Revenues, excluding the revenues proposed to become Released Revenues, for the current Fiscal Year will be equal to at least 135% of the Debt Service Requirement for such Fiscal Year;

(c) Proof of notice provided to each Rating Agency of the Authority's intent to release such revenues from the definition of Gross Revenues; and

(d) an opinion of bond counsel to the effect that the exclusion of such revenues from the definition of Gross Revenues and from the pledge, charge and lien of the Ordinance will not adversely affect the tax-exempt status of the interest on any Outstanding Tax-Exempt Bond.

In such event, the Released Revenues shall not be deposited in the Airport System Fund and shall not be pledged as security for the Revenue Bonds.

## **Operation and Maintenance of Airport System**

So long as any Revenue Bonds remain outstanding, the Authority covenants that it will at all times maintain and operate the Airport System, or within the limits of its authority cause the same to be maintained and operated, in good and serviceable condition.

## **Sale or Encumbrance of Airport System**

Except as permitted in the Ordinance, neither all nor a substantial part of the Airport System or any property necessary to the operation and use of the Airport System will be sold, leased, mortgaged, pledged, encumbered, alienated or otherwise disposed of.

The Authority may enter into a management contract or lease of all or substantially all of the Airport System or any lesser part thereof, on the condition that the manager or lessee agrees to comply with and perform all of the duties of the Authority under the provisions of the Ordinance (except those expressly retained by the Authority). Subject to such conditions, the Authority may delegate to such manager or lessee all or a portion of the

Authority's rights and duties under the Ordinance. In such event, after providing for the deposits required by the Ordinance, the lessee may compensate the Authority for the lessee's use of such property from Gross Revenues in the Airport System Fund for deposit into the Capital Improvement Fund.

The Authority may also execute any leases, licenses, easements, or other agreements of any part of the Airport System in connection with the operation of the Airport System by the Authority, or in connection with any Special Purpose Facilities located at any airport within the Airport System.

The Authority may sell, exchange, lease or otherwise dispose of, or exclude from the Airport System, any property constituting a part of the Airport System which the Authorized Airport Representative certifies (i) to be no longer useful in the construction or operation of the Airport System, (ii) to be no longer necessary for the efficient operation of the Airport System, or (iii) to have been replaced by other property of at least equal value. The net proceeds of any such sale or disposition of any Airport System property (or the fair market value of any property so excluded) will be used for the purpose of replacing properties at the Airport System, or will be paid into the Airport System Fund for the purposes thereof.

In addition, the Authority may transfer all or a substantial part of the Airport System to another body corporate and politic which assumes the Authority's obligations under the Ordinance and in any Supplemental Ordinance if, in the written opinion of the Airport Consultant, the ability to meet the rate covenant and other covenants under the Ordinance and in any Supplemental Ordinance, are not materially and adversely affected. In the event of any such transfer and assumption, the Authority may retain any facility of the Airport System if, in the written opinion of the Airport Consultant, such retention will not materially and adversely affect nor unreasonably restrict such other entity's ability to comply with the requirements of the rate covenant and the other covenants of the Ordinance and in any Supplemental Ordinance.

### **Insurance**

The Ordinance requires the Authority to keep the Airport System insured with insurers of good standing against risks, accidents or casualties against which and to the extent customarily insured against by, and with deductible and self-insurance provisions customarily utilized by, operators operating similar properties, to the extent that such insurance is reasonably available. To the extent the Authority self-insures its insurance risks in an amount greater than \$5,000,000, the Authority will provide to the Trustee a report of an independent insurance consultant satisfactory to the Trustee that its self-insurance program is funded in accordance with industry standards.

### **Accounts, Records and Audits**

So long as any Revenue Bonds remain outstanding, the Authority covenants and agrees that it will maintain a proper and complete system of records and accounts pertaining to the Gross Revenues and the operation of the Airport System in which full, true and proper entries will be made of all dealings, transactions, business and affairs which in any way affect or pertain to the Gross Revenues and the Airport System. The Authority will, within 120 days after the close of each Fiscal Year or as soon thereafter as practicable, cause an audit report of such records and accounts to be prepared by an independent certified public accountant or independent firm of certified public accountants. In addition, the Authority will cause a detailed accounting to be prepared by an independent certified public accountant or independent firm of certified public accountants, which will calculate the Gross Revenues, Net Revenues and Debt Service Requirement for such Fiscal Year and will set forth a calculation to demonstrate whether the Authority has satisfied the Rate Covenant contained in the Ordinance. In addition, the Authority will each year, either as a part of its annual audit or by separate engagement, cause an independent certified public accountant or independent firm of certified public accountants to prepare an annual report. Each year promptly after such reports are prepared, the Authority will furnish copies thereof to any registered owners of Revenue Bonds who so request.

### **Tax-Exemption**

So long as any Tax-Exempt Bonds remain outstanding, the Authority covenants that it will not take, or omit to take, any acts, including without limitation entering into any lease, operating agreement or other contract for the

operation of all or any portion of the Airport System or pledge to the payment of the Tax-Exempt Bonds any revenues or fail to make any required payment or rebate of interest earnings if to do so would cause interest on any Tax-Exempt Bonds to be includable within the gross income of the Owners thereof for federal income tax purposes. See "TAX MATTERS" contained in this Official Statement.

Notwithstanding the foregoing, the Authority may issue taxable Revenue Bonds in the manner and pursuant to the terms set forth in the Ordinance.

### **Events of Default and Remedies of Owners of Revenue Bonds**

Each of the following constitutes an Event of Default under the Ordinance:

- (a) Default in the punctual payment of principal or redemption premium, if any, due to be paid on any Revenue Bond, whether at maturity or by call or proceedings for redemption or otherwise; or
- (b) Default in the punctual payment of any installment of interest due to be paid on any Revenue Bond; or
- (c) Default in the performance or observance of any other covenant, agreement or condition required to be performed or observed by the Authority under the Ordinance or in any of the Revenue Bonds, continuing for 90 days after written notice of such default is given to the Authority by the Trustee or to the Authority and the Trustee by the owners of not less than 25% in principal amount of Outstanding Revenue Bonds; provided that if such default cannot be corrected within 90 days, it will not constitute an Event of Default if the Authority institutes and diligently pursues corrective action, within such period, until the default is corrected or, if such action involves legal action, the default is determined to be not correctable as a matter of law by a court of competent jurisdiction; or
- (d) Certain voluntary or involuntary proceedings in bankruptcy or reorganization.

So long as the Event of Default has not been remedied, either the Trustee, upon written notice to the Authority, or the owners of not less than 25% in principal amount of Outstanding Revenue Bonds, upon notice to the Authority and the Trustee, may declare that an Event of Default has occurred. Any such declaration may be waived if, prior to the maturity of all of the outstanding Revenue Bonds, all overdue installments of interest upon the Revenue Bonds, together with interest on such overdue installments to the extent permitted by law and all other sums then payable by the Authority under the Ordinance are made good or are secured to the satisfaction of the Trustee, and if (i) the owners of not less than 50% in principal amount of Outstanding Revenue Bonds rescind such declaration by written notice to the Trustee and the Authority or (ii) the Trustee has acted on its own without written direction to the contrary by the owners of not less than 25% in principal amount of Outstanding Revenue Bonds.

If an Event of Default has occurred, and has not been remedied, the Trustee may proceed, and upon the written request of the owners of not less than 25% in principal amount of the Outstanding Revenue Bonds and the provision for indemnification required under the Ordinance, must proceed to protect the rights of the owners of the Revenue Bonds under the Act or the Ordinance by such actions at law or in equity as the Trustee, upon the advice of counsel, deems to be most effectual in protecting the interests of the owners of the Revenue Bonds.

During the continuance of an Event of Default, the Trustee or receiver appointed pursuant to the Ordinance will apply all moneys, securities, funds and revenues received by the Trustee pursuant to any right given or action taken under the provisions of the Ordinance as follows and in the following order:

- (i) Expenses of Fiduciaries - to the payment of the reasonable and proper charges, expenses and liabilities of the Trustee, Registrar or Paying Agent, or any successor thereof, appointed and serving in such capacity pursuant to the Ordinance;
- (ii) Operation and Maintenance Expenses - to the payment of the amounts required for



reasonable and necessary Operation and Maintenance Expenses and for the reasonable renewals, repairs and replacements of the Airport System necessary in the judgment of the Trustee to prevent a loss of revenues;

- (iii) Principal and redemption premium, if any and interest - to the payment of the interest, principal and redemption premium, if any, then due on the Revenue Bonds, as follows:

FIRST: Interest - to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, together with accrued and unpaid interest on the Revenue Bonds theretofore called for redemption, and, if the amount available is not sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

SECOND: Principal and redemption premium, if any - to the payment to the persons entitled thereto of the unpaid principal and redemption premium, if any, of any Revenue Bonds which have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available is not sufficient to pay in full all the Revenue Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal and redemption premium, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

The owners of a majority in principal amount of outstanding Revenue Bonds may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee upon the continuance of an Event of Default, unless (a) the Trustee is advised by counsel that the action or proceeding so directed may not be lawfully taken, (b) the Trustee determines in good faith that the action or proceeding so directed would involve the Trustee in personal liability for which provision for indemnification has not been made, or (c) the Trustee determines that the action or proceeding so directed would be unjustly prejudicial to the owners of Revenue Bonds which are not parties to such direction.

#### **Discharge by Deposit**

The Ordinance provides that the Authority may discharge its obligations to the Owners of any or all of the Revenue Bonds to pay principal, interest and redemption premium (if any) thereon by depositing with the Trustee cash in an amount equal to the principal amount and redemption premium, if any, of Revenue Bonds plus interest thereon to the date of maturity or redemption, or by depositing either with the Trustee or with any national banking association with capital and surplus in excess of \$100,000,000, pursuant to an escrow or trust agreement to which the Trustee is a party, cash and/or Defeasance Obligations in principal amounts and maturities and bearing interest at rates sufficient to provide for the timely payment of the principal amount and redemption premium, if any, of such Revenue Bonds plus interest thereon to the date of maturity or redemption. Upon such deposit, such Revenue Bonds will no longer be regarded to be Outstanding or unpaid. The Authority will give irrevocable instructions to the Trustee to mail notice of redemption to the Owners of such Revenue Bonds to be redeemed and to mail notice of such deposit to the holders of all Revenue Bonds not to be redeemed or paid in full within 60 days. Any failure, error or delay in giving such notice shall not affect the defeasance of such Revenue Bonds.

#### **Amendment of Ordinance**

The Authority may, without the consent of, or notice to, any of the owners of the Revenue Bonds, amend or supplement the Ordinance for any one or more of the following purposes:

- (a) To cure any ambiguity, defect, omission or inconsistent provision in the Ordinance or in the Revenue Bonds or to comply with any applicable provision of federal law or regulations, so long as such action does not materially adversely affect the interests of the owners of the Revenue Bonds;

(b) To change the terms or provisions of the Ordinance to the extent necessary to prevent the interest on the Tax-Exempt Bonds from being includable within the gross income of the owners thereof for purposes of federal income tax;

(c) To grant to or confer upon the owners of the Revenue Bonds any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the owners of the Revenue Bonds;

(d) To add other covenants or agreements of, or conditions or restrictions on the Authority to the covenants and agreements of the Authority contained in the Ordinance, or to surrender or eliminate any right or power reserved to or conferred upon the Authority in the Ordinance;

(e) To subject to the lien and pledge of the Ordinance additional pledged revenues, properties or collateral;

(f) To authorize the issuance, and to specify the terms and conditions, of Revenue Bonds or Subordinate Securities, so long as all of the requirements under the Ordinance are met for the issuance of such Revenue Bonds or Subordinate Securities;

(g) To authorize any change or amendment in the Ordinance which, in the judgment of the Trustee, does not materially and adversely affect the rights or interests of the registered owners of outstanding Revenue Bonds and does not otherwise require unanimous consent of the owners of the Revenue Bonds then outstanding under the Ordinance; or

(h) To authorize any change or amendment in the Ordinance relating to deposits or balances in the Airline System Fund or any Fund established pursuant to the Ordinance.

With the exception of amendments for the purposes set forth in the preceding paragraph, the Owners of not less than a majority of the aggregate principal amount of the Revenue Bonds then outstanding which are affected have the right to consent, in accordance with the Ordinance, to any ordinance adopted by the Authority which would amend, modify, add to or eliminate any provision of the Ordinance; provided, however, that no such subsequent ordinance may permit (i) an extension of the maturity of the principal of or interest on any Revenue Bond; (ii) a reduction in the principal amount of or the rate of interest on any Revenue Bond; (iii) a privilege or priority of any Revenue Bond over any other Revenue Bond; or (iv) a reduction in the aggregate principal amount of Revenue Bonds required for consent to any amendment to the Ordinance.

## **APPENDIX E**

### **SUMMARY OF AIRLINE AGREEMENTS**

As of the date of this Official Statement, the Authority has an Agreement and Lease of Premises (an “Airline Agreement”) with each of the following passenger, charter or cargo air carriers (the “Signatory Airlines”) serving the Airport: American Airlines, American Trans Air, America West Airlines, Chautauqua Airlines, Continental Airlines, Delta Air Lines, Federal Express, Northwest Airlines, Southwest Airlines, United Airlines, and US Airways.

All of the Airline Agreements contain substantially identical terms and conditions. The term of each Airline Agreement is for the period from the date of execution through December 31, 2010.

The following is a summary of certain provisions of the Airline Agreements. The summary is qualified in its entirety by reference to the standard form of the Airline Agreement.

#### **Definitions**

Capitalized terms used in this Appendix E shall have the meanings defined below.

“Air Transportation” shall mean the carriage of persons, property, cargo and mail by aircraft and all other activities reasonably related thereto.

“Aircraft Arrival” shall mean any aircraft arrival at the Airport (including, without limitation, scheduled flights, charters, sightseeing flights, test flights, ferry flights, courtesy flights, inspection flights or any other flights). Aircraft arrival shall not include any flight that returns to the Airport after departure because of mechanical, meteorological or other precautionary reason.

“Airline Agreement” means an Agreement and Lease of Premises between the Authority and a Signatory Airline.

“Airport” shall mean the Indianapolis International Airport as shown on the Airport Layout Plan in Exhibit A to the Airline Agreement.

“Airport Director” shall mean the person designated by the Authority to exercise functions with respect to the rights and obligations of the Authority under the Airline Agreements.

“Airport System” shall mean Indianapolis International Airport, Eagle Creek Airpark, Mt. Comfort Airport, Downtown Heliport, Speedway Airport, Metropolitan Airport and the Hendricks County Airport.

“Annual Budget” shall mean the capital and operating budget prepared by the Airport Director and adopted by ordinance of the Authority.

“Apron Area” shall mean those areas of the Airport that provide for the parking, loading, unloading and servicing of aircraft.

“Authority” means the Indianapolis Airport Authority.

“Bonds” shall mean General Obligation Bonds, Revenue Bonds and Subordinate Securities or any other similar or substitute financing instrument (including but not limited to notes, loan contracts, certificates and commercial paper) that might be issued in the future for Airport System purposes under and pursuant to authorizing legislation. Such term shall not include any Special Facility Bonds.

“Capital Improvement” shall mean any single item having a cost in excess of One Hundred Thousand Dollars (\$100,000), as adjusted in proportion to the changes in the Consumer Price Index published by the U.S. Department of Labor, Bureau of Labor Statistics, or any similar index mutually agreeable to the parties to the Airline Agreement, and a useful life in excess of two (2) years, acquired, purchased or constructed in order to improve, maintain or develop the Airport System, as well as any extraordinary or substantial expenditure whose object is to preserve, enhance or protect the Airport System. Said term shall include any expense for development studies, analyses, master planning efforts (including periodic reviews thereof) and economic or operational studies of the Airport System.

“Fiscal Year” shall mean the 12-month period beginning on January 1 of any year and ending on December 31 of that year or any other period adopted by the Authority for its financial affairs.

“Indemnified Parties” shall mean the Authority, BAA Indianapolis LLC and BAA USA (Holdings), Inc. and any of their representatives or agents.

“Joint Use Space” shall mean the premises assigned by the Authority to a Signatory Airline and one or more other Airlines.

“Landing Fees” shall mean the amount equal to the product of a landing fee rate per thousand pounds of Maximum Gross Certificated Landing Weight multiplied by the Total Landed Weight for such Signatory Airline during such month.

“Majority-in-Interest” shall mean any combination of the Signatory Airlines who together, according to the Authority, have paid more than fifty percent (50%) of the combined Signatory Airlines’ fees and rentals imposed pursuant to this Agreement during the most recent six (6) full month period for which statistics are available, and which represent more than fifty percent (50%) in number of the combined total of the Signatory Airlines.

“Maximum Gross Certificated Landing Weight” shall mean the maximum weight, in 1,000 pound units, at which each aircraft as operated by a Signatory Airline is certificated by the FAA.

“Passenger Facility Charge” shall mean the fee the Authority may assess airline passengers for the use of the Airport.

“Preferential Use Space” shall mean the nonexclusive preferential use space in the Terminal Building and Apron Areas as designated or allocated by the Authority to a Signatory Airline for which the Signatory Airline has primary use rights as determined by the Authority.

“Program” shall mean the construction of the Midfield Terminal and the Capital Improvements described in the “Indianapolis International Airport Proposed Mid-Field Terminal Attached Concourse Option Full Project Scope Definition Phase Estimate” as modified by Exhibit I to the Airline Agreement.

“Projection Period” shall mean the four year period beginning January 1, 2007 through December 31, 2010.

“Signatory Airlines” shall mean those airlines providing Air Transportation of passengers or property by air to and from the Airport that rent land or facilities at the Airport and have executed Airline Agreements with the Authority.

“Targeted Limits” means the average airline cost per enplaned passenger over the Projection Period of \$9.65 and an average landing fee rate over the Projection Period of \$1.89.

“Terminal Building” means the passenger terminal building at the Airport as presently existing or as hereafter modified, developed or relocated.

“Terminal Complex” shall mean those areas of the Terminal Building assigned to air carriers providing Air Transportation to the Airport.

### **Lease Rentals and Fees**

In order to satisfy its Signatory Airline Revenue Requirement (see “THE AIRPORT SYSTEM — Certain Authority Agreements”), each Signatory Airline agrees to make the following monthly payments in accordance with the applicable provisions of and the schedules attached to its Airline Agreement with the Authority:

1. Rentals for the Terminal Complex area (collectively, the “Space Rentals”);
2. Rentals for use of the Apron Area (“Apron Fees”); and
3. Landing Fees.

Each Signatory Airline shall report to the Authority (i) a description of all Aircraft Arrivals of such Signatory Airline during the previous month, by type and model of aircraft and the Maximum Gross Certificated Landing Weight of such aircraft, (ii) the total number of enplaning and deplaning passengers of such Signatory Airline at the Airport during the previous month, and (iii) the amount in tons of freight, mail and other cargo carried or transported by such Signatory Airline at the Airport during the previous month. In the event that a Signatory Airline fails to provide such report, the Landing Fees due to the Authority will be equal to the Landing Fees paid for the most recent month during which such a report was filed, subject to appropriate adjustment upon delivery of the currently required report by such Signatory Airline.

Each Signatory Airline will also collect on behalf of and remit to the Authority any such Passenger Facility Charges in accordance with the requirements of Federal law. The proceeds of such Passenger Facility Charges will be applied in any lawful manner.

### **Annual Recalculation of Lease Rentals and Fees**

Not later than June 1 of each year, each Signatory Airline will submit to the Authority an estimate of both the reasonably expected Maximum Gross Certificated Landing Weight and passenger forecast at the Airport for such Signatory Airline during the next Fiscal Year. Not later than August 1 of each year, the Authority will submit copies of the following reports to each Signatory Airline:

- (a) report of the proposed Annual Budget for the following Fiscal Year, reflecting, among other things, all estimated operation and maintenance expenses and all outlays for Capital Improvements;
- (b) report of principal and interest payments payable during the following Fiscal Year, together with an estimate of debt service coverage for such Fiscal Year;
- (c) report of preliminary estimates of fees and charges reasonably expected to be imposed by the Authority for the following Fiscal Year; and
- (d) report of the aggregate of the amounts required to be deposited to the various special funds established under the Ordinance.

Within seven days after the receipt of such reports by the Signatory Airlines, and upon the request of the Authority or any Signatory Airline, the Authority and the Signatory Airlines may meet to review the reports of the Authority. The Authority will have sole discretion to modify or amend its Annual Budget based upon the results of such meeting. Prior to the first day of each Fiscal Year, the Authority will furnish each Signatory Airline with a copy of the Authority’s Annual Budget, together with a schedule of the fees and charges applicable to such Signatory Airline during such Fiscal Year. In the event that the Authority does not adopt an Annual Budget prior to the commencement of a Fiscal Year, the fees and charges applicable to each Signatory Airline for the preceding

Fiscal Year will remain in effect until a new Annual Budget, together with applicable fees and charges, is promulgated by the Authority, effective as of January 1 of such Fiscal Year. The Authority may adopt an amended Annual Budget any time during the Fiscal Year and new fees and charges will thereafter be in effect until the end of such Fiscal Year.

If at any time, the revenues and balances available in any fund under the bond resolution are not sufficient to pay, when due, all items included in the Annual Budget, or to pay any other expense or cost incidental or necessary to, or arising out of, the operation of the Airport System, including, without limitation, emergency repairs or expenses, the reasonably necessary cost of defending, settling or satisfying any litigation or threatened litigation that relates to the Airport System, or any aspect thereof, or to compensate for the loss of revenue by reason of any labor dispute, or a force majeure, or because of adoption of an amended Annual Budget, Authority may, upon notice to and consultation with the Signatory Airlines, increase the Landing Fee to such amount as is sufficient to assure Authority that all such items, expenses and costs shall be paid in full, solely from revenues of the Airport System.

### **Capital Improvements**

On or before August 1 of each Fiscal Year, the Authority will notify each Signatory Airline of the cost of proposed Capital Improvements to be undertaken at the Airport in the following Fiscal Year. All such proposed Capital Improvements will be included in the Airlines' rates and charges calculation upon completion. Such notification will describe the nature, estimated cost, necessity for, feasibility of and expected benefits from such Capital Improvement, together with an allocation of costs among the Airport System and a description of the Authority's preferred means of financing. Not earlier than 30 days after the distribution of such notice, the Authority will convene a meeting of all Signatory Airlines in order to discuss and to obtain concurrence of such Capital Improvement. The Signatory Airlines will be deemed to have concurred in a Capital Improvement unless, within 30 days after the date of such meeting, concurrence is specifically withheld in writing by two-thirds of the Signatory Airlines. In the event that such concurrence is specifically withheld, the Authority will have the option to convene a second meeting within 30 days of the Authority's receipt of the notice of nonconcurrence by the Signatory Airlines. After reconsideration, the Signatory Airlines will be deemed to have concurred in a Capital Improvement unless, within 30 days after the date of such second meeting, concurrence is specifically withheld in writing by two-thirds of the Signatory Airlines. If concurrence is still withheld, the proposed Capital Improvement will be deferred until the next Fiscal Year. In addition to the foregoing, the Authority may not construct any Capital Improvement costing in excess of \$5,000,000 if concurrence in such Capital Improvement is specifically withheld by a Majority-In-Interest. See "Definitions" herein.

However, notwithstanding any of the foregoing, the Authority may construct and include in the calculation of rentals, fees and charges under the Airline Agreements the cost of any Capital Improvement found to be necessary or prudent to: (i) assure or facilitate compliance with a rule, regulation or order of any Federal, state or other governmental agency having jurisdiction over the Airport; (ii) maintain, operate or create functional capability and capacity of the Airport System at a level required by public health, safety, access, security or welfare or by the Trustee for the security of the Bonds; (iii) satisfy a judgment or fines rendered against the Authority by a court of competent jurisdiction; (iv) repair casualty damage, net of insurance proceeds, to Airport System property; (v) develop a Special Purpose Facility; (vi) acquire land to preserve, protect or enhance the Airport System; or (vii) pay the costs of architectural, engineering and economic studies and other professional services of planned Airport System facilities.

The following Capital Improvements are also exempt from the review procedures listed above: a new Midfield Terminal and related facilities and improvements developed, constructed and financed in accordance with the provisions of the following paragraphs and all preliminary planning and preparation expenditures for a third runway south of Interstate 70 and the relocation of Interstate 70 as identified in the Airport's capital improvement program (the "CIP").

Each Signatory Airline consented to and approved the construction of the Midfield Terminal and all related Capital Improvements identified in the project definition phase cost estimate of April 2000, with an expected operating date of July 1, 2007. In the Airline Agreement, the Authority acknowledged that each Signatory Airline is

concerned that future airline costs per enplaned passenger and landing fee rates following the planning, design, construction and development of the Midfield Terminal not exceed certain Targeted Limits for the Projection Period. The Targeted Limits are an average airline cost per enplaned passenger of \$9.65 over the Projection Period and an average landing fee rate of \$1.89 over the Projection Period. The Authority agrees to use its best efforts to assure that the average projected airline cost per enplaned passenger and landing fee rate expected over the Projection Period will not exceed the Targeted Limits. If the Authority estimates that it will be unable to construct and develop the Midfield Terminal within the Targeted Limits, then prior to proceeding the Authority will consult with the Signatory Airlines and (i) redesign the Midfield Terminal Program to achieve the Targeted Limits, (ii) reallocate the CIP budget to shift costs from other projects within the CIP to the Midfield Terminal, (iii) adjust the financial plan or the CIP to minimize impact on net airline requirements, or (iv) increase the Midfield Terminal budget.

In the Airline Agreement, the Authority and the Signatory Airlines agreed that the Targeted Limits are not a guarantee, but are targets to be used by the Authority in planning the Program. The Authority agrees to annually prepare and forward to the Signatory Airlines an updated financial model showing that, based upon current information, the Midfield Terminal can be developed within the Targeted Limits. So long as, at the time design, bidding and construction of the Program have commenced, the Authority estimates that the expected costs will be within the Targeted Limits during the Projection Period or that the Authority has otherwise consulted with the Signatory Airlines in the manner provided above, the Authority shall be permitted to proceed with the Midfield Terminal and include its costs as provided under the Airline Agreement.

In the Airline Agreement, the Authority and the Signatory Airlines agreed that the budget for the Midfield Terminal is \$808 million, in 2000 dollars, subject to adjustment for agreed upon additions or deletions.\* The Authority agrees to allow reviews of the design documents and the contract bid awards by a representative of the Signatory Airlines prior to the start of construction. In addition, the representative has input to and required consultation with the Authority as construction of the Midfield Terminal proceeds.

### **Signatory Airline Responsibilities**

Each Signatory Airline is required to maintain its portion of the Terminal Complex premises, the Terminal Complex Apron Area and the Joint Use Apron Area and to repair at its own expense any damages to the Terminal Complex Premises caused by an action or omission of such Signatory Airline and any damages to its assigned premises not caused by an action or omission of the Authority. Title to any improvements on the premises leased by such Signatory Airline will be in the Authority, subject to the right of such Signatory Airline to use such improvement for the term of such Airline Agreement. Each Signatory Airline will be responsible for paying any and all lawful taxes, assessments or charges which become a lien or are levied upon any interest of such Signatory Airline in the Terminal Complex premises or any improvements thereof. Each Signatory Airline will also be responsible for paying for all licenses, permits, fees or authorizations required under federal, state or local laws for its use and operation of the Airport System facilities and will be responsible for paying for all allocable charges for utility services in excess of those specifically provided by the Authority.

### **Insurance and Indemnification**

Each Signatory Airline is required to carry at all times comprehensive airline public liability insurance insuring such Signatory Airline against liability for personal injury and bodily injuries and personal and property damage caused by such Signatory Airline's negligent actions or omissions on or about the Airport System facilities. The policy limit must be not less than \$100,000,000 of total liability for any one occurrence. The Indemnified Parties will be named as an additional insured on all policies, to the extent that the Signatory Airline is required to indemnify the Indemnified Parties under the Airline Agreement, and each Signatory Airline will provide the Authority with acceptable evidence of such insurance. The coverage provided by any such policy may not be decreased or canceled without 30 days' written notice to the Authority, and the Authority, at the Signatory Airline's

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\* See CAPITAL IMPROVEMENT PROGRAM-Midfield Terminal Program herein for description of additional projects added since the Airline Agreement was executed.

sole expense, may obtain and maintain in force any such policy not otherwise obtained or maintained by the Signatory Airline.

Each Signatory Airline agrees to indemnify the Authority and the Indemnified Parties from and against all liabilities, losses, claims, actions, judgments, administrative proceedings, fines, settlement demands, penalties and damages and related expenses arising out of personal injury or bodily injury to person or property attributable to the use, occupancy, activities or operations of such Signatory Airline at or on any Airport System facility.

#### **Termination by the Signatory Airline**

So long as it is not in default of its rental obligations under its Airline Agreement, any Signatory Airline may terminate such Airline Agreement after 60 days' written notice and the surrender of the premises upon the occurrence of one or more of the following:

- (a) The Terminal Complex premises assigned to the airline become untenable in whole or substantial part, and the Authority does not terminate the assignment of such premises and does not proceed reasonably promptly with necessary repairs and rebuilding;
- (b) The Authority fails to provide and maintain means for unobstructed ingress and egress to and from the Terminal Complex in accordance with such Airline Agreement;
- (c) The Authority closes the Airport to aircraft operations in general or to flights of such Signatory Airline for reasons other than weather, acts of God or other causes beyond the Authority's control, and fails to reopen the Airport to such operations or flights for a period in excess of 30 days; or
- (d) The Authority fails to comply with any of the material terms or provisions of such Airline Agreement or fails promptly to fulfill any of its obligations under such Airline Agreement.

In addition to any other right of termination which a Signatory Airline may have under its Airline Agreement, each Signatory Airline has a special limited right to terminate its Airline Agreement in the event that the Authority adopts a bond ordinance or an amendment to such ordinance which either (i) materially affects the method of calculation of Signatory Airline rentals and fees under its Airline Agreement or (ii) materially affects the rights of such Signatory Airline under its Airline Agreement. This special right of termination expires 15 days after the date of adoption of such ordinance or ordinance amendment by the Authority.

#### **Termination by the Authority**

The Authority may terminate the Airline Agreement of any Signatory Airline upon 30 days' written notice, and may re-enter the Airline's leased Terminal Complex premises 15 days after such termination, upon the occurrence and continuation of one or more of the following:

- (a) Such Signatory Airline fails to make required payments of rentals, fees and charges when due;
- (b) Such Signatory Airline files a voluntary petition in bankruptcy, makes a general assignment for the benefit of creditors or is adjudicated a bankrupt;
- (c) A court of competent jurisdiction takes jurisdiction of such Signatory Airline or such Signatory Airline's assets pursuant to proceedings brought under any federal reorganization act;
- (d) A receiver or trustee is appointed for such Signatory Airline's assets by a court of competent jurisdiction, or such Signatory Airline enters into a voluntary agreement with its creditors, and such receiver, trustee or agreement is not removed within 90 days;



(e) Any act occurs which operates to deprive such Signatory Airline permanently of the rights, powers and privileges necessary for the proper operation and conduct of its business;

(f) Such Signatory Airline abandons and fails to use the Terminal Complex for any period of 30 consecutive days for reason other than fire, earthquake, strike, governmental action, the default of the Authority or other cause beyond such Signatory Airline's control;

(g) Such Signatory Airline uses or permits the use of the leased Terminal Complex premises for any purpose not authorized by its Airline Agreement or for any purpose prohibited by applicable law, rule or regulation;

(h) Such Signatory Airline discontinues air service to the Airport System as a consequence of the filing by such Signatory Airline of a bankruptcy petition or the seeking by such Signatory Airline of a reorganization or an adjustment of its indebtedness or being adjudged bankrupt under any federal or state law; or

(i) Such Signatory Airline remains in violation of any material provision of its Airline Agreement for a period of 30 days after notice thereof.

### **Amendment to Bond Ordinance**

Each Airline Agreement provides that the Authority must not enact any bond ordinance or subsequently amend a bond ordinance so as to require a change in the method of calculation of rentals and fees payable under such Airline Agreement or so as to materially affect the rights of the Signatory Airline subject to such Airline Agreement. If the Authority adopts a bond resolution or a subsequent amendment to a bond resolution, either of which materially affects the method of calculation of such rentals and fees or materially affects the rights of the Signatory Airline under such Airline Agreement, such Signatory Airline may, in writing, cancel such Airline Agreement within 15 days after the adoption date of the bond resolution or amendment thereto by the Authority.

### **Cancellation**

If any Airline Agreement of a Signatory Airline is terminated or canceled by such Signatory Airline or the Authority for any reason as set forth in the respective Airline Agreement, such Signatory Airline will thereafter be charged for its use of the Airport at the then current non-Signatory Airline rates specified by ordinance of the Authority. Historically, such non-Signatory Airline rates have been higher than rates imposed under the Airline Agreements.

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## **APPENDIX F**

### **SUMMARY OF THE BOND BANK INDENTURE**

The following is a summary of certain provisions of the Trust Indenture between The Indianapolis Local Public Improvement Bond Bank (“Bond Bank”) and Bank One Trust Company, National Association, as trustee (“Bond Bank Trustee”), dated as of January 1, 2003 (“Indenture”). This summary does not purport to be complete and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the Indenture.

Certain capitalized terms used in this summary are defined as follows:

“Act” means the provisions of Indiana Code 5-1.4.

“Additional Bonds” means Bonds issued pursuant to the Indenture and any supplemental indenture.

“Additional Qualified Obligations” means any Qualified Obligations which are general obligations or revenue bonds issued by the Authority and purchased by the Bond Bank with a portion of the proceeds of a series of Bonds.

“Authority” means the Indianapolis Airport Authority.

“Bondholder” or “holder of Bonds” or “owner of Bonds” or “Registered Owner” or any similar term means the registered owner of any Bond, including the Bond Bank, and any purchaser of Bonds being held for resale, including the Bond Bank.

“Bonds” means any of The Indianapolis Local Public Improvement Bond Bank Bonds issued pursuant to the Indenture or any supplemental indenture, including, but not limited to, the Series 2003A Bonds.

“Cash Flow Certificate” means a certificate prepared by an accountant or firm of accountants in accordance with the Indenture concerning anticipated Revenues.

“Code” means the Internal Revenue Code of 1986, as in effect on the date of issuance of any series of Bonds, and the applicable judicial decisions or published rulings, or any applicable regulations promulgated or proposed thereunder or under the Internal Revenue Code of 1954 as in effect immediately prior to the enactment of the Tax Reform Act of 1986.

“Fees and Charges” means fees and charges established by the Bond Bank from time to time pursuant to the Act which are payable by the Authority.

“Fiscal Year” means the twelve month period from January 1 through the following December 31.

“Funds and Accounts” means the funds and accounts established under the Indenture as further defined in the Indenture.

“Governmental Obligations” means (a) direct obligations of the United States of America or obligations the timely payment of the principal of and interest on which are unconditionally guaranteed by the United States of America, including but not limited to securities evidencing ownership interests in such obligations or in specified portions thereof (which may consist of specific portions of the principal of or interest on such obligations), and (b) obligations of any state of the United States of America or any political subdivision thereof, the full payment of principal of, premium, if any, and interest on which (i) are unconditionally guaranteed or insured by the United States of America, or (ii) are provided for by an irrevocable deposit of securities described in clause (a) and are not subject to call or redemption by the issuer thereof prior to maturity or for which irrevocable instructions to redeem have been given.

“Investment Earnings” means earnings and profits (after consideration of any accrued interest paid and amortization of premium or discount on the investment) on the moneys in the Funds and Accounts established under the Indenture, except the Rebate Fund.

“Investment Securities” means (i) direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“United States Treasury Obligations”), (ii) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (iii) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, (iv) evidence of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated, (v) deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$5 million, or (vi) money market funds rated “AAm” or “AAM-G” by Standard and Poor’s Ratings Services, or better.

“Moody’s” means Moody’s Investors Service or any successor thereof which qualifies as a “Rating Agency” under the Indenture.

“Program” means the program for the purchase of Qualified Obligations by the Bond Bank pursuant to the Act and the Indenture.

“Program Expenses” means all of the Bond Bank’s expenses in carrying out and administering the Program pursuant to the Indenture and shall include, without limiting the generality of the foregoing, salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus, telephone, insurance premiums, credit enhancement fees, liquidity facility fees, legal, accounting, management, consulting and banking services and expenses, fees and expenses of the Bond Bank Trustee, the Registrar and the Paying Agent, costs of verifications required under the Indenture, costs of issuance not paid from the proceeds of Bonds, travel, payments for pension, retirement, health and hospitalization, life and disability insurance benefits, any other costs permitted under the Act, and rebates, if any, which in the opinion of bond counsel are required to be made under the Code in order to preserve or protect the exclusion from gross income for federal tax purposes of interest on the Bonds, all to the extent properly allocable to the Program.

“Qualified Entity” means the Authority, a qualified entity under IC 5-1.4-1-10.

“Qualified Obligation” means a Security (as that term is defined in the Act), including the 2003 Authority Bonds, which have been acquired by the Bond Bank pursuant to the Indenture.

“Qualified Obligation Payment” means the amounts paid or required to be paid, from time to time, for principal and interest by the Qualified Entity to the Bond Bank on the Qualified Entity’s Qualified Obligation and any Fees and Charges paid or required to be paid by any Qualified Entity to the Bond Bank under the provisions of any agreement for the purchase and sale of Securities.

“Rating Agency” means any nationally recognized rating agency maintaining a rating on the Bonds at the request of the Bond Bank.

“Refunding Qualified Obligation” means any Qualified Obligation issued to refund any of the Qualified Obligations or another Refunding Qualified Obligation.

“Revenues” means the income, revenues and profits of the Funds and Accounts referred to in the granting clauses of the Indenture, including, without limitation, all Qualified Obligation Payments and Investment Earnings, but excluding amounts required to be deposited and maintained in the Rebate Fund.

“S&P” means Standard & Poor’s Ratings Services, a Division of the McGraw-Hill Companies, or any successor thereof which qualifies as a “Rating Agency” under the Indenture.

### **Security for Bonds**

The Bond Bank will issue its Bond Bank Bonds, Series 2003A (Indianapolis Airport Authority Project) (“Series 2003A Bonds”), pursuant to the Indenture. To secure the payment of the principal of, premium, if any, and interest on the outstanding Series 2003A Bonds and any Additional Bonds, and the performance of the covenants contained in the Bonds and the Indenture, the Bond Bank, grants to the Bond Bank Trustee a security interest in the following property (“Trust Estate”):

1. All cash and securities held for the credit of the Funds and Accounts created or established under the Indenture, the Investment Earnings thereon and all proceeds thereof (except the Rebate Fund under the Indenture); and
2. All Qualified Obligations acquired and held pursuant to the Indenture and the earnings thereon and all proceeds thereof (including all Qualified Obligation Payments); and
3. All Revenues and any moneys pledged as security by the Bond Bank.

The Trust Estate is to be held by the Bond Bank Trustee for the equal and proportionate benefit and security and protection of the owners from time to time of all the outstanding Bonds without any privilege, priority or distinction as to the lien or otherwise of any such Bond over any other such Bond, except as otherwise expressly provided in the Indenture.

### **Accounts**

***Creation of Funds and Accounts.*** Under the Indenture, the Bond Bank creates and establishes the following Funds: (1) the General Fund and (2) the Rebate Fund. The following Accounts are established in the General Fund: a “General Account,” a “Bond Issuance Expense Account” and a “Redemption Account.”

All such Funds and Accounts will be held and maintained by the Bond Bank Trustee. All moneys or securities held by the Bond Bank Trustee pursuant to the Indenture will be held in trust and applied only in accordance with the provisions of the Indenture. The Bond Bank and the Bond Bank Trustee may establish such additional Funds, Accounts or subaccounts as they may in their discretion determine to be appropriate to comply with the provisions of the Indenture.

***General Account.*** There will be deposited in the General Account: (a) the proceeds of the sale of the Bonds, other than the amounts deposited in the Bond Issuance Expense Account as described below; and (b) any other amounts required to be deposited in the General Account pursuant to the Indenture. The Bond Bank Trustee will apply the moneys in the General Account (i) to purchase the Qualified Obligations; (ii) to pay principal and interest coming due on the Bonds; (iii) to pay, as necessary, Program Expenses; (iv) to pay any amount needed to comply with Section 6.08 of the Indenture (rebate); and (v) to transfer to any other fund or account of the Bond Bank of any moneys in excess of the amounts needed to pay principal and interest on the Bonds within the immediately succeeding twelve month period pursuant to the Indenture.

***Redemption Account.*** There will be deposited in the Redemption Account (i) all moneys received upon the sale or redemption prior to maturity of Qualified Obligations and (ii) such other amounts as may be designated by the Indenture. Funds in the Redemption Account will be disbursed as follows by the Bond Bank Trustee: (1) on such dates as are specified in the Indenture, an amount equal to the principal which would have been payable during the following month for Qualified Obligations sold or redeemed prior to maturity; (2) on such dates as are specified in the Indenture, to the extent moneys in the General Account are not sufficient, for the purpose of paying the principal of and interest on the Bonds as the same become due; (3) after providing for the payments required under (1) and (2) above, moneys may be used (A) on any redemption date, to redeem Bonds; (B) to purchase Qualified Obligations as permitted under the Indenture; (C) to transfer any excess moneys to the General Account; (D) to

purchase Bonds at the most advantageous price obtainable with reasonable diligence; or (E) to invest such moneys until the maturity or maturities of Bonds in accordance with Article IX of the Indenture; and (4) if the Bond Bank Trustee is unable to purchase Bonds under (3) above, then, subject to the Indenture, the Bond Bank Trustee shall redeem Bonds to exhaust as nearly as possible the amounts remaining in the Redemption Account under the Indenture after payment of the amounts described in clauses (A), (B), (C) and (D) above. Upon presentation of a Cash Flow Certificate from the Bond Bank, the Bond Bank Trustee may transfer moneys to the General Account (pursuant to the Indenture.)

***Bond Issuance Expense Account.*** There will be deposited in the Bond Issuance Expense Account: (i) a portion of the proceeds of the Bonds in an amount equal to the estimated costs of issuing the Bonds, and (ii) any other amounts required to be deposited therein pursuant to the Indenture. Funds in the Bond Issuance Expense Account will be disbursed to pay the costs of issuing the Bonds. Any funds remaining in the Bond Issuance Expense Account ninety days after the issuance of Bonds will be transferred to the General Account and the Bond Issuance Expense Account may, at the direction of the Bond Bank, be closed.

***Rebate Fund.*** There shall be made all deposits and disbursements as required by law from the Rebate Fund solely in accordance with the Bond Bank's written direction. Money at any time deposited in the Rebate Fund will be held by the Bond Bank Trustee in trust. The Bond Bank Trustee will remit part or all of the balances in the Rebate Fund to the United States, as directed by the Bond Bank. Any funds remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any rebate amount, or provision made therefor satisfactory to the Bond Bank Trustee, will be distributed to the Bond Bank.

### **Investment of Money**

Subject to the right of the Bond Bank to direct the investment or deposit of funds under the Indenture, moneys in any Fund or Account (except the Redemption Account) shall be continuously invested and reinvested or deposited or redeposited by the Bond Bank Trustee in Investment Securities.

Any moneys in the Redemption Account shall be invested only in Governmental Obligations as directed by the Bond Bank. Any moneys in the Rebate Fund shall be invested as directed by the Bond Bank from time to time. All such investments shall at all times be a part of the Fund or Account in which the moneys used to acquire such investments had been deposited and all Investment Earnings on such investments shall be deposited as received in the General Account, except for income and profits on investment of funds in the Rebate Fund which shall remain in the Rebate Fund.

### **Additional Bonds**

Additional Bonds may be issued from time to time only for the purchase of Additional Qualified Obligations, including, but not limited to, Refunding Qualified Obligations, issued by a Qualified Entity or to refund all or a portion of the outstanding Bonds. Any Additional Bonds shall be authorized by a supplemental indenture, will be secured by the supplemental indenture and will be equally and ratably payable from the Trust Estate.

Notwithstanding satisfaction of other conditions to the issuance of Additional Bonds contained in the Indenture, no such issuance may occur should any Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) have occurred and be continuing unless such default shall be cured upon such issuance unless otherwise permitted by Financial Security.

### **Accounts and Reports**

The Bond Bank will keep proper and separate books of records and accounts in which complete and correct entries will be made of its transactions relating to the Program and the Funds and Accounts established by the Indenture. Such books, and all other books and papers of the Bond Bank, and all Funds and Accounts will at all reasonable times be subject to the inspection of the Bond Bank Trustee and the owners of an aggregate of at least five percent (5%) in principal amount of Bonds then outstanding or their representatives duly authorized in writing.

Before the twentieth day of each month, the Bond Bank Trustee will provide the Bond Bank with a statement of the amounts on deposit in each Fund and Account as of the last day of the preceding month and the total deposits to and withdrawals from each Fund and Account during the preceding month. The Bond Bank may provide for less frequent statements so long as such statements are supplied no less frequently than quarterly.

### **Tax Covenants**

In order to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes and as an inducement to purchasers of the Bonds, the Bond Bank represents, covenants, and agrees that the Bond Bank will take no action nor fail to take any action with respect to the Bonds that would result in the loss of the exclusion from gross income for federal tax purposes of interest on the Bonds under Section 103 of the Code, nor will it act in any other manner which would adversely affect such exclusion. These tax covenants are based solely on current law in effect and in existence on the date of issuance of the Bonds. It shall not be an event of default under the Indenture if interest on any Bond is not excludable from gross income pursuant to any provision of the Code which is not in existence and in effect on the issue date of the Bonds.

### **Covenants of the Bond Bank**

In order to provide for the payment of the principal of, premium, if any, and interest on the Bonds and of Program Expenses, the Bond Bank will from time to time, and in a sound and economical manner in accordance with the Act, the Indenture and sound banking practices and principles (i) undertake all necessary actions to receive and collect Revenues (including the enforcement of the prompt collection of any arrears on all Qualified Obligation Payments), and (ii) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Bond Bank to protect the rights of the Bond Bank with respect to or to maintain any insurance on the Qualified Obligations and to enforce all terms, covenants and conditions of the Qualified Obligations. Whenever necessary to provide for the payment of principal of and interest on the Bonds, the Bond Bank will also commence appropriate remedies with respect to any Qualified Obligations which is in default.

With respect to the Qualified Obligations, the Bond Bank covenants as follows:

(a) Not to permit or agree to any material change in any Qualified Obligation or the underlying ordinance with respect thereto unless the Bond Bank first supplies the Bond Bank Trustee with a Cash Flow Certificate to the effect that, after such change, Revenues expected to be received, together with moneys expected to be held in the Funds and Accounts, will at least equal debt service on all outstanding Bonds.

(b) To the extent that such action would not adversely affect the validity of the Qualified Obligation or other obligations of the Qualified Entity, the Bond Bank will instruct the Bond Bank Trustee to pursue the remedies set forth in the Act, particularly Indiana Code 5-1.4-8-4.

(c) To enforce or authorize the enforcement of all remedies available to the Bond Bank under the Qualified Obligations, unless the Bond Bank provides the Bond Bank Trustee with a Cash Flow Certificate to the effect that, if such remedies are not enforced, Revenues expected to be received, together with moneys expected to be held in the Funds and Accounts, will at least equal debt service on all outstanding Bonds, and the Bond Bank Trustee determines, relying on an opinion of Bond Counsel, that failure to enforce such remedies will not adversely affect the interests of the Bondholders in any material way.

(d) Not to sell or dispose of the Qualified Obligations unless it first provides the Bond Bank Trustee with a Cash Flow Certificate to the effect that, after such sale or disposition, Revenues expected to be received, together with moneys expected to be held in the Funds and Accounts, minus any proceeds of such sale to be transferred from any Fund or Account, will at least equal debt service on all outstanding Bonds.

(e) Notwithstanding anything in the Indenture to the contrary, the Bond Bank covenants and agrees that the 2003 Authority Bonds shall not be amended, sold, released or disposed of without receiving the prior written consent of Financial Security.

## **Budgets**

The Bond Bank will, at least sixty (60) days prior to the beginning of each Fiscal Year, prepare and file with the Bond Bank Trustee a preliminary budget covering its fiscal operations for the succeeding Fiscal Year.

## **Defeasance and Discharge of Indenture**

(a) Subject to paragraph (b) below, if payment or provision for payment is made to the Bond Bank Trustee of the whole amount of principal of and interest due and to become due on all of the Bonds then outstanding under the Indenture, and if the Bond Bank Trustee receives all payments due and to become due under the Indenture, then the Indenture may be discharged in accordance with its provisions. In the event of any early redemption of Bonds in accordance with their terms, the Bond Bank Trustee must receive irrevocable instructions from the Bond Bank, satisfactory to the Bond Bank Trustee, to call such Bonds for redemption at a specified date and pursuant to the Indenture. Outstanding Bonds will continue to be a limited obligation of the Bond Bank payable only out of the moneys or securities held by the Bond Bank Trustee for the payment of the principal of and interest on the Bonds.

Any Bond will be deemed to be paid when payment of the principal of that Bond, plus interest to its due date, either (a) has been made or has been caused to be made in accordance with its terms, or (b) has been provided for by irrevocably depositing with the Bond Bank Trustee, in trust and exclusively for such payment, (i) moneys sufficient to make such payment, (ii) noncallable or nonprepayable Governmental Obligations maturing as to principal and interest in such amounts and at such times, without consideration of any reinvestment thereof, as will ensure the availability of sufficient moneys to make such payments, or (iii) a combination of such moneys and Governmental Obligations, and all other sums payable under the Indenture, including the necessary and proper fees and expenses of the Bond Bank Trustee pertaining to the Bonds, have been paid or deposited with the Bond Bank Trustee.

(b) (i) So long as the Policy is in full force and effect, if, when the Series 2003A Bonds shall have become due and payable in accordance with their terms or shall have been duly called for redemption or irrevocable instructions to call the Series 2003A Bonds for redemption shall have been given by the Bond Bank to the Bond Bank Trustee, the whole amount of the principal and the interest and the premium, if any, so due and payable upon all of the Series 2003A Bonds then outstanding shall be paid or (i) cash, (ii) non-callable direct obligations of the United States of America ("Treasures"), (iii) evidences of ownership of proportionate interests in future interest and principal payments on Treasures held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasures are not available to any person claiming through the custodian or to whom the custodian may be obligated or (iv) pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively (or any combination thereof), shall be held by the Bond Bank Trustee (or the Paying Agents) in an irrevocable escrow account for such purpose under the provisions of the Indenture, and provision shall also be made for paying all Bond Bank Trustee's and Paying Agents' fees and expenses and other sums payable under the Indenture by the Bond Bank, then and in that case the right, title and interest of the Bond Bank Trustee shall thereupon cease, determine and become void. Upon any such termination of the Bond Bank Trustee's title, on demand of the Bond Bank, the Bond Bank Trustee shall release the Indenture and shall execute such documents to evidence such release as may be reasonably required by the Bond Bank, and shall turn over to the Bond Bank or to such officer, board or body as may then be entitled by law to receive the same any surplus in the General Account and all balances remaining in any other fund or accounts other than moneys and obligations held for the redemption or payment of Series 2003A Bonds.



- (ii) In addition to the foregoing defeasance requirements, Financial Security shall receive (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to Financial Security (“Accountant”) verifying the sufficiency of the escrow established to pay the Series 2003A Bonds in full on the maturity date (“Verification”), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to Financial Security), and (iii) an opinion of nationally recognized bond counsel to the effect that the Series 2003A Bonds are no longer “Outstanding” under the Indenture. Series 2003A Bonds shall be deemed “Outstanding” under the Indenture unless and until they are in fact paid and retired or the above criteria is met.
- (iii) The verification report and defeasance opinion shall be acceptable in form and substance, and addressed, to the Bond Bank, the Bond Bank Trustee and Financial Security. In the event a forward purchase agreement is used in connection with the refunding, such agreement shall be subject to the approval of Financial Security and shall be accompanied by such opinions of counsel as may be required by Financial Security. Financial Security shall be provided with final drafts of the above-referenced documentation not less than five business days prior to the funding of the escrow.
- (iv) Defeasance shall be accomplished only with an irrevocable deposit in escrow of certain investments referred to above. Further substitutions of securities in the escrow are not permitted. The deposit in the escrow must be sufficient, without reinvestment, to pay all principal and interest as scheduled on the Series 2003A Bonds to and including the date of redemption.

#### **Events of Default and Remedies**

Any of the following events constitutes an “Event of Default” under the Indenture:

- (a) The Bond Bank defaults in the due and punctual payment of the principal of or interest on any Bond;
- (b) The Bond Bank defaults in carrying out any of its covenants, agreements or conditions contained in the Indenture or in the Bonds, and the continuance of such Event of Default within sixty (60) days after receipt of notice, all in accordance with the Indenture;
- (c) Any warranty, representation or other statement by or on behalf of the Bond Bank contained in the Indenture, or in any instrument furnished in compliance with or in reference to the Indenture, is materially false or misleading when made, and there has been a failure to remedy such Event of Default within sixty (60) days after receipt of notice, all in accordance with the Indenture;
- (d) The Bond Bank fails to make remittances required by the Indenture to the Bond Bank Trustee within the time limits prescribed in the Indenture;
- (e) A petition is filed against the Bond Bank under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect and is not dismissed within sixty (60) days after such filing;
- (f) The Bond Bank files a petition in voluntary bankruptcy or seeking relief under any provisions of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or consents to the filing of any petition against it under such law;
- (g) The Bond Bank is generally not paying its debts as such debts become due, or becomes insolvent or bankrupt or makes an assignment for the benefit of creditors, or a liquidator or trustee of the

Bond Bank or any of its property is appointed by court order or takes possession and such order remains in effect or such possession continues for more than sixty (60) days;

(h) The Bond Bank is rendered incapable of fulfilling its obligations under the Indenture for any reason; or

(i) A default or event of default occurs under the Ordinance.

Upon the occurrence and continuance of an Event of Default, the Bond Bank Trustee will notify the owners of outstanding Bonds of such Event of Default and will have the following rights and remedies:

(a) The Bond Bank Trustee may pursue any available remedy at law or in equity or by statute to enforce the payment of the principal of and interest on Bonds outstanding under the Indenture, including any and all such actions arising under, or by reason of, the Qualified Obligations;

(b) The Bond Bank Trustee may by action at law or in equity require the Bond Bank to account as if it were the trustee of an express trust for the holders of the Bonds, and may take such action with respect to the Qualified Obligations as the Bond Bank Trustee deems necessary, appropriate and in the best interest of the Bondholders, subject to the terms of the Qualified Obligations;

(c) Upon the filing of a suit or other commencement of judicial proceedings to enforce any rights of the Bond Bank Trustee and of the Bondholders under the Indenture, the Bond Bank Trustee will be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate under the Indenture and of the Revenues, issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer; and

(d) By notice to the Bond Bank and the Corporation Counsel of the City, the Bond Bank Trustee may declare the principal of and accrued interest on all Bonds to be due and payable immediately in accordance with the provisions of the Indenture and the Act; provided, however, the Bond Bank Trustee shall receive the prior written consent of Financial Security to accelerate the Series 2003A Bonds and in the event the maturity of the Series 2003A Bonds is accelerated, Financial Security may elect, in its sole discretion, to pay accelerated principal and interest accrued or accreted, as applicable, on such principal to the date of acceleration (to the extent unpaid by the Bond Bank) and the Bond Bank Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, Financial Security's obligations under the Policy shall be fully discharged.

If an Event of Default has occurred, if requested to do so by the owners of twenty-five percent (25%) or more in aggregate principal amount of the Bonds outstanding under the Indenture, and if indemnified as provided in the Indenture, the Bond Bank Trustee will be obligated to exercise one or more of the rights, remedies and powers conferred by the Indenture as the Bond Bank Trustee, being advised by counsel deems most expedient in the interest of the Bondholders.

The owners of a majority in aggregate principal amount of the Bonds outstanding under the Indenture will have the right, at any time during the continuance of an Event of Default, by a written instrument or instruments executed and delivered to the Bond Bank Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings under the Indenture. However, such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture.

#### **Waivers of Events of Default**

At its discretion, the Bond Bank Trustee may waive any Event of Default and its consequences, and must do so upon the written request of the owners of (a) more than 66-2/3% in aggregate principal amount of all Bonds then outstanding under the Indenture in the case of default in the payment of principal of or interest on the Bonds or

(b) more than 50% in aggregate principal amount of all Bonds then outstanding under the Indenture in the case of any other default. However, there may not be waived (i) any Event of Default in the payment of the principal of any Bond then outstanding under the Indenture at the specified date of maturity or (ii) any Event of Default in the payment when due of the interest on any Bond then outstanding under the Indenture unless, prior to the waiver, all arrears of interest or principal due, as the case may be, with interest on overdue principal at the rate borne by such Bond, and all expenses of the Bond Bank Trustee in connection with the Event of Default have been paid or provided for. In case of any such waiver or rescission, or in case any proceeding taken by the Bond Bank Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then the Bond Bank, the Bond Bank Trustee and the Bondholders will be restored to their former respective positions and right under the Indenture. No waiver or rescission will extend to any subsequent or other Event of Default or impair any right consequent thereon.

### **Rights and Remedies of Owners of Bonds**

No Owner of any Bond will have any right to institute any suit, action or proceeding at law or in equity for the enforcement of the Indenture or for the execution of any trust thereof or for any other remedy under the Indenture, unless (a) an Event of Default has occurred and the Owners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then outstanding under the Indenture have made written request to the Bond Bank Trustee and have offered the Bond Bank Trustee reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name, (b) such Owners of Bonds have offered to indemnify the Bond Bank Trustee, as provided in the Indenture, and (c) the Bond Bank Trustee has refused, or for sixty (60) days after receipt of such request and offer of indemnification has failed to exercise the remedies granted in the Indenture or to institute such action, suit or proceeding in its own name. All proceedings at law or in equity must be carried out as provided in the Indenture and for the equal benefit of the owners of all outstanding Bonds. However, nothing contained in the Indenture will affect or impair the right of any owner of Bonds to enforce the payment of the principal of and interest on any Bond at and after its maturity, or the limited obligation of the Bond Bank to pay the principal of and interest on each of the Bonds to the respective owners of the Bonds at the time and place, from the source and in the manner expressed in the Bonds.

### **Supplemental Indentures**

The Bond Bank and the Bond Bank Trustee may, without the consent of or notice to any of the owners of Bonds, enter into an indenture or indentures supplemental to the Indenture for any one or more of the following purposes:

- (a) To cure any ambiguity, formal defect or omission in the Indenture;
- (b) To grant to or confer upon the Bond Bank Trustee for the benefit of the Bondholders any additional benefits, rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Bondholders or the Bond Bank Trustee or to make any change which, in the judgment of the Bond Bank Trustee, relying on an opinion of Bond Counsel, is not to the prejudice of the Bondholders and does not otherwise require the unanimous consent of all Bondholders under the Indenture;
- (c) To subject to the lien and pledge of the Indenture additional revenues, security, properties or collateral;
- (d) To modify, amend or supplement the Indenture or any supplemental indenture in order to permit qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if the Bond Bank and the Bond Bank Trustee so determine, to add to the Indenture or to any supplemental indenture such other terms, conditions and provisions as may be permitted by the Trust Indenture Act of 1939 or any other federal or state statute; provided that any supplemental indenture shall not have a material adverse effect on the interest of any of the owners of the Bonds;

- (e) To give evidence of the appointment of a separate or co-trustee, or the succession of a new trustee, registrar or paying agent;
- (f) To provide for the issuance of each Series of Additional Bonds;
- (g) To provide for the refunding of all or a portion of the Bonds; and
- (h) To amend the Indenture to permit the Bond Bank to comply with any covenants contained in any Supplemental Indenture with respect to compliance with future federal or state tax laws.

With the exception of supplemental indentures for the purposes set forth in the preceding paragraph and subject to the terms of the Indenture, the owners of not less than a majority of the aggregate principal amount of the Bonds then outstanding under the Indenture which are affected (other than Bonds held by the Bond Bank) will have the right from time to time to consent to and approve the execution by the Bond Bank and the Bond Bank Trustee of any supplemental indenture or indentures deemed necessary and desirable by the Bond Bank Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture. However, no supplemental indenture may permit or be construed as permitting, without the consent of the owners of all Bonds then outstanding under the Indenture, (a) an extension of the stated date for maturity or redemption or a reduction in the principal amount of or redemption premium, or reduction in the rate or extension of the time of payment of the interest, on any Bonds, (b) the creation of any lien on the Trust Estate or any part thereof pledged under the Indenture prior to or on a parity with the lien of the Indenture other than a lien ratably securing all of the Bonds outstanding under the Indenture, (c) a reduction in the aggregate principal amount of the Bonds the owners of which are required to consent to such supplemental indenture, (d) the creation of privilege, priority or preference of any Bond or Bonds over any other Bond or Bonds, or (e) any amendment or modification of the trusts, powers, rights, obligations, duties, remedies and immunities of the Bond Bank Trustee without the written consent of the Bond Bank Trustee.

### **Provisions Regarding Policy**

As long as the Policy shall be in full force and effect, the Bond Bank and the Bond Bank Trustee agree to comply with certain provisions required by Financial Security, including, but not limited to the following:

- (a) Financial Security shall be deemed to be the sole holder of the Series 2003A Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Series 2003A Bonds are entitled to take pursuant to the default and trustee sections of the Indenture.
- (b) Rights of Financial Security to direct or consent to Bond Bank, Trustee or Series 2003A Bondholder actions under the Indenture shall be suspended during any period in which Financial Security is in default in its payment obligations under the Policy (except to the extent of amounts previously paid by Financial Security and due and owing to Financial Security) and shall be of no force or effect in the event the Policy is no longer in effect or Financial Security asserts that the Policy is not in effect or Financial Security shall have provided written notice that it waives such rights.
- (c) The rights granted to Financial Security under the Indenture to request, consent to or direct any action are rights granted to Financial Security in consideration of its issuance of the Policy. Any exercise by Financial Security of such rights is merely an exercise of Financial Security's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Series 2003A bondholders nor does such action evidence any position of Financial Security, positive or negative, as to whether Series 2003A bondholder consent is required in addition to consent of Financial Security.
- (d) Amounts paid by Financial Security under the Policy shall not be deemed paid for purposes of the Indenture and shall remain outstanding and continue to be due and owing until paid by the Bond Bank in accordance with the Indenture. The Indenture shall not be discharged unless all amounts due or to become due to Financial Security have been paid in full.

## **APPENDIX G**

### **BOOK-ENTRY-ONLY SYSTEM**

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2003A Bonds. The Series 2003A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series 2003A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (the “Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the “Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Series 2003A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2003A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2003A Bond (the “Beneficial Owners”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2003A Bonds are to be accomplished by entries made on the books of the Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Series 2003A Bonds, except in the event that use of the book-entry-only system for the Series 2003A Bonds is discontinued.

To facilitate subsequent transfers, the Series 2003A Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2003A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2003A Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2003A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by

arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time.

Beneficial owners of the Series 2003A Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2003A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. Beneficial Owners of the Series 2003A Bonds may wish to ascertain that the nominee holding the Series 2003A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of the notices be provided directly to them. Redemption notices shall be sent to DTC. If less than all of the Series 2003A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2003A Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Bond Bank as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2003A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2003A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Bond Bank or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the Bond Bank, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividends to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Bank or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may determine to discontinue providing its service as depository with respect to the Series 2003A Bonds at any time by giving reasonable notice to the Bond Bank or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The Bond Bank may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the Bond Bank believes to be reliable, but the Bond Bank takes no responsibility for the accuracy thereof.

### ***Revision of Book-Entry-Only System***

In the event that either (1) the Bond Bank receives notice from DTC to the effect that DTC is unable or unwilling to discharge its responsibilities as a clearing agency for the Series 2003A Bonds or (2) the Bond Bank elects to discontinue its use of DTC as a clearing agency for the Series 2003A Bonds, then the Bond Bank will do or perform or cause to be done or performed all acts or things, not adverse to the rights of the holders of the Series 2003A Bonds, as are necessary or appropriate to discontinue use of DTC as a clearing agency for the Series 2003A Bonds and to transfer the ownership of each of the Series 2003A Bonds to such person or persons, including any other clearing agency, as the holder of such Series 2003A Bonds may direct. Any expenses of such a discontinuation and transfer, including any expenses of printing new certificates to evidence the Series 2003A Bonds will be paid by the Bond Bank.

**APPENDIX H**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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**FINANCIAL  
SECURITY  
ASSURANCE®**

## **MUNICIPAL BOND INSURANCE POLICY**

ISSUER:

Policy No.: -N

BONDS:

Effective Date:

Premium:

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud, whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By \_\_\_\_\_

By \_\_\_\_\_  
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.  
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 500NY (5/90)